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OFFICIAL STATEMENT

LOS MEDANOS COMMUNITY HOSPITAL

DISTRICT (PITTSBURG AREA) HOSPITAL

BUILDING CORPORATION BONDS SERIES of 1977

COUNTY of CONTRA COSTA, CALIFORNIA

\$12,600,000

PRINCIPAL AMOUNT

Hospitals
Investments
Pittsburg
Public Securities
Co. Contra Costa Co.

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**LOS MEDANOS COMMUNITY HOSPITAL
DISTRICT (PITTSBURG AREA)
HOSPITAL BUILDING CORPORATION BONDS
SERIES OF 1977**

**LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
(PITTSBURG AREA) HOSPITAL BUILDING
CORPORATION DIRECTORS**

Thomas A. Reardon, *President*
Herschel J. Franzen, *Vice President*
Rose Mary Tumbaga, *Treasurer*
Charles Spears, *Secretary*
Jess H. Reyes, *Assistant Secretary*

**LOS MEDANOS COMMUNITY HOSPITAL
DISTRICT BOARD OF DIRECTORS**

Lillian J. Pride, *President*
Arthur S. Chomor, *Secretary*
Arthur I. Roake, Jr., *Treasurer*
Ronald R. Johnson, *Member*
Donald L. Landrum, *Member*

DISTRICT STAFF

Nicholas A. Ventrice, *Administrator*
C. F. Jaskiewicz, M.D., *Chief of Staff*
Efton Hall, Jr., *Assistant Administrator/
Building Program Owner's Representative*
Wendell L. Snyder, *Controller*
Dorothy E. Simarro, *Director of Nursing*

SPECIAL SERVICES

Financing Consultant

Hornblower & Weeks-Hemphill, Noyes Incorporated,
San Francisco, California

District Counsel

O. F. Fenstermacher, *Pittsburg, California*

Bond Counsel

Orrick, Herrington, Rowley & Sutcliffe,
San Francisco, California

Financial Feasibility Consultants

Amherst Associates Inc., *Walnut Creek, California*

Project Architect

Lyons and Hill Architects AIA, Inc.,
Walnut Creek, California

Construction Consultant

Turner Construction Company,
San Francisco, California

Certified Public Accountants

Haskins & Sells, *Oakland, California*

Bank Trustee and Paying Agent

United California Bank, *San Francisco, California*

Paying Agents

Manufacturers Hanover Trust Co., *New York, New York*
The Northern Trust Company, *Chicago, Illinois*

THE DATE OF THIS OFFICIAL STATEMENT IS
JANUARY 24, 1977

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**LOS MEDANOS COMMUNITY HOSPITAL
DISTRICT (PITTSBURG AREA)
HOSPITAL BUILDING CORPORATION**

January 24, 1977

To Whom it May Concern:

The purpose of this official statement is to furnish information regarding \$12,600,000 principal amount of bonds to be issued by the Los Medanos Community Hospital District (Pittsburg Area) Hospital Building Corporation, Pittsburg, California.

The material contained in this official statement, except for the appendices thereto, was prepared by Hornblower & Weeks-Hemphill, Noyes Incorporated as financing consultants to and under the direction of the corporation and the Los Medanos Community Hospital District. Financing consultant's fee for services is contingent upon the sale and successful delivery of bonds. All information contained in this official statement is gathered from sources believed to be reliable but the accuracy thereof is not guaranteed.

All of the following summaries of the statutes, indenture, site lease, facility lease, financial analysis, audits, construction contract, and other documents are made subject to the provisions of such documents respectively, and do not purport to be complete statements of any or all of such provisions. Reference is hereby made to such documents on file with the corporation for further information in connection therewith. This official statement is not to be construed as a contract with the purchasers of the bonds. Any statement herein involving estimates and projections may or may not be realized. Any statements herein involving matters of opinion or estimates, whether or not so designated, are to be construed as provisional rather than factual.

The members of the board of directors of the district have reviewed this official statement and have determined that as of the date hereof, to the best of their knowledge and belief, the official statement does not contain an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading. The corporation will deliver to the purchaser of the bonds a certificate of the district as to the above, dated the date of bond delivery, and further certifying that the signatories know of no material adverse change in the condition of the district (not in the ordinary course of operations of the district) which would make it unreasonable for the purchaser of the bonds to rely upon the official statement in connection with the resale of the bonds, and authorizing the purchaser of the bonds to distribute copies of the official statement in connection with the resale of the bonds. 300 copies of the official statement will be supplied to the purchaser of the bonds for this purpose at the expense of the corporation.

The legal opinion of Orrick, Herrington, Rowley & Sutcliffe, San Francisco, California, will be furnished to the successful bidder at the time of delivery of the bonds, at the expense of the corporation.

The execution and delivery of this official statement have been authorized by the corporation.

Thomas A. Reardon
President

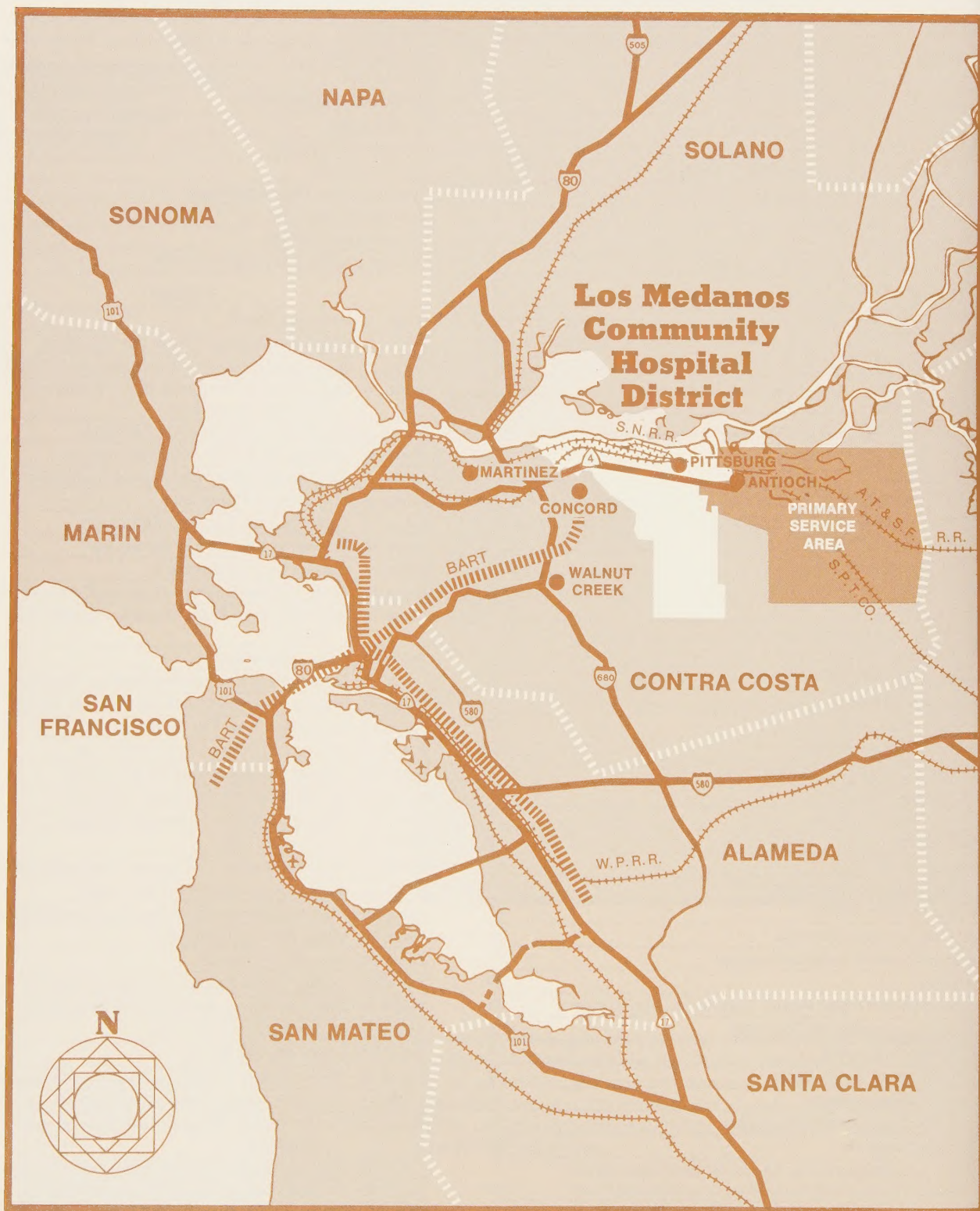
No dealer, broker, salesman or other person has been authorized by the Los Medanos Community Hospital District (Pittsburg Area) Hospital Building Corporation to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the corporation.

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The Los Medanos Community Hospital District area is shown in WHITE while the balance of the district primary service area is shown as the darkest shade.

INTRODUCTION

The Los Medanos Community Hospital District (Pittsburg Area) Hospital Building Corporation ("corporation") is a nonprofit corporation, incorporated on May 14, 1976 for the sole purpose of financing the construction of public hospital buildings and related facilities to be located in the City of Pittsburg, California, for the use and occupancy of the Los Medanos Community Hospital District ("district"). The \$12,600,000 principal amount of bonds currently being offered for sale will be used for construction of a new public hospital, contingencies, fees, bond reserve fund, funded interest, and incidentals. The construction to be financed from bond proceeds is expected to commence during March, 1977. Under terms of the construction contract, completion is scheduled during the fall of 1978. Interest on the bonds has been funded for a period of 24 months while the first district rent payment is not due until July 15, 1979.

The facilities will be leased to the Los Medanos Community Hospital District, a political subdivision of the State of California, by the corporation. Under the terms of the facility lease the district will agree to pay to the corporation, on or before January 15 and on or before July 15 of each year (commencing on July 15, 1979), a fixed base rental sufficient to meet the annual principal and semiannual interest payments on the bonds as they come due. The district is further required to pay additional rental equal to any administrative costs assumed under the terms of the agreement. Pursuant to the indenture, the United California Bank will be appointed to act as trustee. The trustee will receive all bond proceeds and revenues of the corporation and will disburse bond funds only as provided in the indenture.

TABLE 1
ESSENTIAL FACTS

The Bonds	
Principal amount	\$12,600,000
Maturities	1980-2004
Denominations (coupon bonds)	\$5,000
Average life	18.278
Bond years	230,300
Maturities callable on or after 1988 from any source of funds	1989-2004
Maximum coupon rate	8%
Maximum spread	2%
Estimated bond reserve (equals estimated maximum debt service)	\$1,070,000
The Hospital	
Number of licensed beds (present)	78
Maximum district ad valorem tax rate/\$100 assessed valuation	50¢
1976/77 district tax levy	\$1,342,975
Estimated annual base rent payment	\$1,060,000
Projected minimum coverage from hospital revenues — 1977-1982	1.62
Projected minimum coverage from tax revenues — 1977-1982	1.46
Projected potential combined coverage from operating and tax revenues	3.08
Coverage of 1976/77 tax revenues to estimated 1979/80 rent payment	1.26
Financial and Economic Data	
Estimated district population	35,000
Estimated population of primary service area (including district)	79,209
1976/77 district assessed valuation	\$274,775,945
District per capita assessed valuation	\$7,850
District direct bonded debt	— 0 —
District net overlapping debt	\$43,203,184
Ratio of overlapping debt to assessed valuation	15.72%

The current Board of Directors of the Los Medanos Community Hospital District has established a hospital operating policy to set rates and manage the hospital in a manner which will allow the district to make base rental payments from hospital operating income. As the district's financial feasibility report (Appendix B, pages 22 through 23 hereof) indicates, rental payment coverage from operations is projected at 1.62 during fiscal year 1979/80 (the first fiscal year base rent is due), 1.73 during 1980/81, and 1.87 during 1981/82.

Another source of money for the payment of base rental and additional rental to the corporation is the district's legal authority to levy a maximum of \$.50 per \$100 assessed valuation ad valorem taxes upon all property in the district subject to taxation by the district.

Table 10 shows projected district tax revenues which indicate that the district's ability to meet district rental payments, is anticipated to be more than sufficient to cover rental payments in future years. During 1976/77 the \$.50 authorized tax rate of the district (for the purpose of calculation of coverage ratios), will generate tax revenues equal to \$1,342,975 and will cover the estimated annual base rent payments of \$1,060,000, 1.26 times. Applying the \$.50 tax rate to the 1979/80 projected assessed valuation (the first year rent is due), tax revenues which could be generated from the tax rate are estimated to equal \$1,554,000 and cover the estimated annual base rent payments of \$1,060,000, 1.46 times.

Moneys potentially available for rental payments from combined operations revenues and tax revenues result in an estimated base rental payment coverage of 3.08 during 1979/80, 3.27 during 1980/81 and 3.49 during 1981/82.

Legal Documents

The principal provisions of the basic legal documents, for the convenience of underwriters and investors, are summarized in the following sections of this official statement. However, the summarization does not purport to correspond in language, form, sequence or detail to the said legal documents. Therefore, when specific language is required, please refer to the following:

1. *Site Lease*. The site lease describes the terms and conditions of the lease of land by the district on which the corporation agrees to construct the project for leaseback to the district.
2. *Facility Lease*. The facility lease provides for the construction of the project and related improvements on the land leased to the corporation and for their leaseback to the district.
3. *Indenture*. The indenture, dated as of January 1, 1977, is the agreement between the corporation and trustee for the benefit of bondholders.

THE CORPORATION

The Los Medanos Community Hospital District (Pittsburg Area) Hospital Building Corporation ("corporation") is a nonprofit corporation, incorporated under the laws of the State of California on May 14, 1976. The corporation was formed for the purpose of financing the construction of a hospital and related facilities, to be located in the City of Pittsburg. The corporation proposes to lease a 11.2-acre site from the Los Medanos Community Hospital District ("district"), provide financing for the construction and lease the facilities to the district.

The corporation exists and acts as a separate entity. Its governing board consists of five members who are approved by the Board of Directors of the Los Medanos Community Hospital District. The corporation directors receive no compensation for work or services performed as corporation directors. All staff work is done by the district staff or by consultants to the corporation since the corporation has no employees.

The corporation has the power to incur indebtedness and issue bonds, to lease real property owned by the district, to construct or provide for the construction of a hospital, to lease such real property, as improved, to the district, and to exercise any and all rights and powers which a corporation organized under the General Non-Profit Corporation Law of the State of California may now or hereafter exercise to carry out its purpose. It is further provided that upon termination of the corporation, all of its assets remaining after payment of or provision for all debts or liabilities, shall be distributed to the Los Medanos Community Hospital District.

Non-Liability of Individuals.

No recourse shall be had for the payment of the principal of or the interest on the bonds or for any claim based thereon or otherwise in respect thereof, or based on or in respect of the indenture or any indenture supplemental thereto, against any incorporator, member, director or officer, as such, past, present or future, of the corporation or of any predecessor or successor corporation, either directly or through the corporation or otherwise, whether by virtue of any constitution, statute or rule of law, or by the enforcement of any assessment or penalty, or otherwise, all such liability being by the acceptance of the bonds and as part of the consideration for the issue thereof expressly waived and released, as provided in the indenture.

Site Lease and Facility Lease

The site lease and facility lease have been approved as to form by both the corporation and district.

The site lease and facility lease will be executed after bond bids have been received but before the bonds have been delivered. The site lease will provide that the site, owned by the district, will be leased to the corporation for a period of time commencing on the date of recordation of the lease and ending July 1, 2004, unless extended or sooner terminated. The site lease cannot be extended beyond July 1, 2009.

The term of the facility lease will commence upon recordation of the lease. The terms of the facility lease will require the district to pay the corporation commencing on or before July 15, 1979 and on or before January 15 and July 15 of each year thereafter, a specified base rental which will be computed to be sufficient to meet semiannual interest payments and the annual bond principal payments as they become due. It is contemplated that the district will take possession of the site and the project on or before

July 1, 1979, and the first payment of rent shall be due on July 15, 1979. If the project shall be substantially completed before July 1, 1979, the district may take possession upon such substantial completion. If the corporation cannot deliver such possession by July 1, 1979, the facility lease shall not be void nor the corporation liable to the district for any resulting loss or damage; but in such event, the rent payable shall be abated, in the proportion that the construction cost of the part of the project not delivered bears to the entire construction cost of said project, with respect to the period between July 1, 1979, and whenever the corporation delivers possession. The facility lease shall end on June 30, 2004, unless extended or sooner terminated; however, in no event shall the facility lease be extended beyond July 1, 2009.

The district is also required to pay all taxes and assessments, if any, all insurance premiums following completion of construction, costs from default by the district under the facility lease, and additional rental for administrative costs of the corporation.

The district is obligated to use and operate the project and to meet entirely at its own expense all costs of maintenance and operation. The facility lease is to be a "net" lease and the district will agree that the rents provided for will be an absolute net return to the corporation, free and clear of any expenses, charges or set-offs, whatsoever.

Should the district default under the facility lease and fail to remedy any default, the corporation has the right to terminate the facility lease and re-enter the premises, or without terminating the facility lease, re-enter and relet the project facilities as the agent of and for the account of the district.

Abatement of Rental

As with other nonprofit corporation and joint powers authority financing in California for special districts, cities, and counties, rent can only be paid for use and occupancy of the leased premises. Therefore, the base rental under the facility lease will be subject to abatement during any period in which, due to damages or destruction, there is substantial interference with the use and occupancy of the leased premises. Such abatement shall be in the same proportion that the construction cost of the damaged portion bears to the total construction cost. The lease nevertheless shall still continue in full force and effect.

Any rent paid by the district for a period of time during which said rent is subsequently abated shall be reimbursed, if requested, from insurance proceeds and, as necessary, from the interest, principal and reserve funds described in the section entitled "The Bonds". The aforementioned corporation insurance requirements, the construction period insurance requirements, the reserve fund, and other provisions made to minimize any likelihood of rental abatement and to provide a substitute source to pay bond principal and interest are summarized in table 3.

The Trustee

The United California Bank will be appointed trustee pursuant to the indenture. The trustee will receive all of the bond proceeds and will disburse bond moneys in conformity with the indenture. In addition to holding and administering the various funds and accounts of the corporation, the trustee will invest the funds held in trust and will be the recipient of all revenues of the corporation. The trustee will also act as paying agent of the corporation, paying bond principal and interest. The trustee will act as bond registrar and will authenticate all registered bonds.

THE BONDS

Authority for Issuance

The \$12,600,000 bonds of Los Medanos Community Hospital District (Pittsburg Area) Hospital Building Corporation are to be issued pursuant to the General Nonprofit Corporation Law of the State of California (Title 1, Division 2, Part 1 of the California Corporations Code) and to the indenture dated January 1, 1977 to be entered into between United California Bank, as trustee, and the corporation. Copies of the proposed forms of the indenture, site lease, and facility lease accompany this official statement.

Description of the Bonds

The bonds will be dated February 1, 1977 and will mature serially from February 1, 1980 to February 1, 2004, inclusive, as shown in the accompanying maturity schedule. Interest is payable on August 1, 1977 and semiannually thereafter on February 1 and August 1. Both principal and interest on coupon bonds are payable at the San Francisco main office of the United California Bank or at the paying agents for the corporation in New York, New York, or Chicago, Illinois.

The bonds will be issued as coupon bonds in the denomination of \$5,000 each, or, at the option of the original purchaser, as fully registered bonds in multiples of \$5,000. No charge shall be made to any holder of coupon bonds initially delivered for exchanging such bonds for registered bonds. However, a five dollar charge may be made thereafter for de-registration or re-registration.

Redemption Provisions

Bonds maturing on or before February 1, 1988 are not subject to call or redemption before maturity except as outlined below. Bonds maturing on or after February 1, 1989 are subject to call and redemption at the option of the corporation, as a whole or in part in inverse order of maturity and by lot within a maturity, on February 1, 1988, or on any interest payment date thereafter, upon payment of a redemption price equal to the principal amount plus a premium of one-quarter of one percent for each year or fraction of a year between the redemption date and the date of maturity of the bonds, except that such premium shall not exceed three percent of such principal amount.

In the event of damage or condemnation rendering unusable a substantial part of the project, any or all of the bonds may be redeemed at any time, whether or not otherwise callable as set forth above, but without premium.

Notice of redemption is to be published at least 30 days and not more than 60 days before the redemption date. Notice of redemption is to be mailed to the original purchasers of the bonds and to holders of registered bonds designated for redemption.

Legal Opinion

The legal opinion of Orrick, Herrington, Rowley & Sutcliffe of San Francisco, California, approving the validity of the bonds, will be furnished to the purchaser of the bonds without charge. A copy of the legal opinion, certified by the official in whose office the original is filed, will be printed on each bond without cost to the successful bidder.

Bond counsel's fee is payable from the proceeds of the bonds and is contingent upon bond delivery, except if the bonds are not issued and the project is abandoned, bond counsel will receive a fee based upon the amount of work performed to said time of abandonment.

MATURITY SCHEDULE

<i>Maturity Date February 1</i>	<i>Principal Maturing</i>
1980	\$200,000
1981	225,000
1982	225,000
1983	250,000
1984	275,000
1985	275,000
1986	300,000
1987	325,000
1988	350,000
1989	375,000*
1990	400,000*
1991	425,000*
1992	450,000*
1993	475,000*
1994	525,000*
1995	550,000*
1996	575,000*
1997	625,000*
1998	675,000*
1999	725,000*
2000	775,000*
2001	825,000*
2002	875,000*
2003	925,000*
2004	975,000*

* Callable on or after February 1, 1988.

Tax Exemptions—California and Federal

In the opinion of bond counsel, interest payable by the corporation upon its bonds will be exempt from all present federal income taxes and State of California personal income taxes under existing statutes, regulations and court decisions.

The corporation has applied for and received a ruling from the Internal Revenue Service which provides that interest on the bonds will qualify under Section 103 (a)(1) of the Internal Revenue Code as exempt from federal income taxation.

Eligibility for National Banks

A request will be made to the United States Controller of the Currency for a ruling that the bonds of the corporation are eligible for purchase, dealing in, underwriting and unlimited holding by national banks. The ruling is expected before the date of the sale of the bonds.

Security for Public Funds

The bonds are not eligible to secure deposits of public funds in the banks in the State of California.

Synopsis of Security

The bonds will be a general obligation of the corporation payable primarily from rent received from the district under the terms of the facility lease.

The bonds will be secured by the corporation's pledge of its interest in the site and improvements under the terms of the site and facility leases. The district will agree to pay to the corporation a base rental under the facility lease in an amount sufficient for the timely payment of principal and interest on the bonds, so long as the project is available for use and occupancy by it. The district will also pay an additional rental in an amount sufficient to reimburse the corporation for all administrative costs such as bank trustee fees and annual audit fees, as described in the legal documents and in this official statement.

The current Board of Directors of the Los Medanos Community Hospital District has established a hospital operating policy to set rates and manage the hospital in a manner which will allow the district to make base rental payments from hospital operating income. As the district's financial feasibility report (Appendix B, pages 22 through 23 hereof) indicates, rental payment coverage from operations is projected at 1.62 during fiscal year 1979/80 (the first fiscal year base rent is due), 1.73 during 1980/81, and 1.87 during 1981/82.

Another source of money for the payment of base rental and additional rental to the corporation is the district's legal authority to levy a maximum of \$.50 per \$100 assessed valuation ad valorem taxes upon all property in the district subject to taxation by the district.

Table 10 shows projected district tax revenues which indicate that the district's ability to meet district rental payments, is anticipated to be more than sufficient to cover rental payments in future years. During 1976/77 the \$.50 authorized tax rate of the district (for the purpose of calculation

of coverage ratios), will generate tax revenues equal to \$1,342,975 and will cover the estimated annual base rent payments of \$1,060,000, 1.26 times. Applying the \$.50 tax rate to the 1979/80 projected assessed valuation (the first year rent is due), tax revenues which could be generated from the tax rate are estimated to equal \$1,554,000 and cover the estimated annual base rent payments of \$1,060,000, 1.46 times.

Moneys potentially available for rental payments from combined operations revenues and tax revenues result in an estimated base rental payment coverage of 3.08 during 1979/80, 3.27 during 1980/81 and 3.49 during 1981/82.

The facility lease will be enforceable according to its terms; the district will covenant to include in its annual budget the amount needed for payment of rent. The covenants of the district shall be deemed to be and shall be construed to be duties imposed by law and it shall be the duty of each and every public official of the district to take such action and do such things as are required by law in the performance of the official duty of such officials to enable the district to carry out and perform the covenants and agreements in the facility lease agreed to be carried out and performed by the district.

Payment of rent will be made directly to the trustee for allocation in accordance with the indenture. Rent payments are, however, subject under certain conditions to abatement as described in this official statement and in the legal documents accompanying this statement. The indenture, site lease, facility lease and construction contract which govern the project have been designed to minimize any possibility of rental abatement and to provide a substitute source to pay principal and interest on the bonds through a reserve fund, rental interruption insurance, earthquake insurance, public liability and property damage insurance, fire insurance and extended coverage insurance, vandalism insurance and malicious mischief insurance.

Construction of the portion of the project being financed by the corporation (the construction) will commence following the delivery of the currently offered bonds, which delivery is anticipated in March 1977. The construction contract requires completion of the project within 555 consecutive calendar days after the signing of the construction contract. Delay of completion beyond the aforementioned number of consecutive days caused by the non-performance of the contractor is subject to liquidated damages of \$500 per day until and including July 31, 1979. The contractor will be required to pay \$3,750 for each consecutive calendar day of unexcused delay in completing the project after July 31, 1979. Interest on the bonds for the 24-month period from February 1, 1977 through February 1, 1979 is being funded from bond proceeds. Semiannual rent payments are scheduled to begin July 15, 1979 in time to pay interest due on the bonds on August 1, 1979.

The general contractor is required to post a 100% performance and 100% labor and materials bond. The corporation will provide builders' risk insurance during construction.

Sales in California and Other States

The Division of Corporation Finance of the United States Securities and Exchange Commission has issued a "no-action" letter to the corporation stating that the Division of Corporation Finance will not recommend any action to the Securities and Exchange Commission if the proposed bond offering is made without prior compliance with the registration requirements of the Securities Act of 1933 or qualification of the Indenture under the Trust Indenture Act of 1939.

The Commissioner of Corporations of the State of California has issued an interpretive opinion stating that the bonds are exempt from the qualification requirement of Section 25110 of the California Corporate Securities Law of 1968.

The bonds are being offered and sold without registration under the Securities Act of 1933 or qualification of the indenture under the Trust Indenture Act of 1939, and without qualification under the California Corporate Securities Law of 1968, in reliance upon such "no-action" letter and such interpretive opinion.

The corporation will furnish prospective purchasers with an information memorandum covering the applicability of blue-sky laws in all 50 states, the District of Columbia and Puerto Rico. The memorandum will indicate states in which the corporation is taking action to obtain exemptions or to qualify the bonds for offer and sale, states in which additional action is believed necessary, and states in which no action is believed necessary.

Creation of Special Funds

The indenture will provide for the establishment of special funds, all to be held and administered by the trustee. These funds, together with their sources and uses, are shown in table 2.

Income from the investment of moneys in any fund accrues to that fund, except that income during construction from investments of the interest fund and reserve fund are to be transferred to the construction fund.

Disposition of Bond Proceeds

Money received from the sale of the bonds will be applied as follows:

1. *Interest Fund.*
24 months' interest on the bonds is to be deposited in the interest fund.
2. *Corporate Operation Fund.*
The sum of \$10,000.
3. *Reserve Fund.*
A sum equal to the maximum annual debt service on the bonds.
4. *Construction Fund.*
The balance of the proceeds is to be held in the construction fund for payment of project costs. Upon completion of the project, any balance remaining in the fund, as a whole or in part, may be transferred (by certificate of the corporation) to the revenue fund.

Funded Interest

The construction contract will call for completion of the facilities in 555 days or over 18 months. Construction is currently scheduled to begin on or about March 2, 1977, with completion due during the fall of 1978. Rentals under the facility lease are to begin on completion of the building or on July 15, 1979, whichever is later.

From proceeds of the bonds, there is to be deposited in the interest fund an amount equal to 24 months' interest on the bonds. Moneys deposited in this fund are to be sufficient to provide for all bond service payments coming due on or before February 1, 1979.

Application of Corporation Revenues

The indenture will require all of the corporation's rental revenue to be paid to the trustee and to be placed in the revenue fund. Money in the revenue fund will be disbursed, applied or set aside by the trustee in the following order of priority:

1. *Interest Fund.*

Commencing on or before July 31, 1979, and on or before January 31 and July 31 of each year thereafter, the trustee shall deposit in the interest fund an amount equal to the aggregate half-yearly amount of interest becoming due and payable on the next succeeding interest payment date.

2. *Principal Fund.*

The trustee shall deposit in the principal fund (a) on or before each July 31, commencing on July 31, 1979, an amount equal to half the aggregate amount of principal becoming due and payable on outstanding bonds on the next succeeding maturity date and (b) on or before each January 31, commencing January 31, 1980, an

amount which, together with any balance in the fund, shall equal the principal payment due on the next February 1. Base rental paid by the district, under the facility lease, will be set at a level sufficient to pay bond interest and principal as they become due.

In the event of an abatement of rental under the facility lease, the district may be reimbursed from the interest fund and principal fund for any prepaid rental which applies to the portion of the project not available for use and occupancy by the district for the period of abatement and for which no other moneys are available.

A sinking fund will be allowed for in the indenture solely for the purpose of allowing maximum flexibility if future series of bonds are sold. There will be no sinking fund related to this issue. Furthermore, it is not currently anticipated by the district or corporation officials that any additional series or additional bonds will be issued by the corporation.

TABLE 2
FUNDS ESTABLISHED UNDER THE INDENTURE

<i>Fund</i>	<i>Source</i>	<i>Use</i>
Interest Fund (Sec. 4.02[a])	Bond proceeds, revenue fund after end of construction.	Bond interest during construction. Payment of interest after completion of the project.
Corporation Operation Fund (Sec. 4.03)	Bond proceeds and additional revenue.	Administrative costs of the corporation and miscellaneous expenses.
Reserve Fund (Sec. 4.02[d])	Bond proceeds and revenue fund after interest, principal and operation and maintenance funds.	Payment of principal and interest when no other funds are available, 1/2 of fund available to pay various insurance deductibles.
Construction Fund (Sec. 3.03)	Bond proceeds and interest earnings.	Construction and related costs. Remaining balance to revenue fund.
Revenue Fund (Sec. 4.01)	District rental payments and any other revenues.	Transfers to other funds.
Principal Fund (Sec. 4.02[b])	Revenue fund and other funds.	Payment of principal after completion of the project.
Operation and Maintenance Fund (Sec. 4.02[c])	Revenue fund.	To be funded and utilized if the corporation operates and maintains the project at any time.

3. *Operation and Maintenance Fund.*

If at any time the corporation shall operate the project, the operation and maintenance fund shall be funded and replenished for all amounts which shall be estimated to be required to provide for the payment of all costs of maintenance and operation of the project during the next six months.

4. *Reserve Fund.*

The trustee, on or before each January 31 and each July 31 (commencing on or before July 31, 1979), shall deposit in the reserve fund (the initial amount equaling the maximum annual debt service on the bonds will be established from bond proceeds) all moneys available after the deposits required by the interest fund, principal fund, and the operation and maintenance fund have been made. If on the day after each interest payment is due (on February 2 and August 2 of any year) the amount in the reserve fund exceeds the maximum annual debt service on the bonds, the trustee may pay the amount of such excess to the district in accordance with the specific criteria set forth in the indenture.

Moneys in the reserve fund may be used and withdrawn for the following purposes:

- a. to pay, together with insurance proceeds, to make up for portions of losses not covered by insurance because of deductible amounts or replacement cost limitations on insurance, for the repair, reconstruction or replacement of the project;
- b. for the replacement of a loss of rental income not insured against because of the deductible amount permitted;
- c. for payment of principal and interest on the bonds in the event no other funds are available therefor;

d. for retirement and redemption of all bonds then outstanding; or

- e. to reimburse the district for any period of time during which the rental under the facility lease is abated and for which no other moneys are available.

No withdrawals under (a) or (b) above shall reduce the reserve fund below one-half of maximum annual debt service.

5. *Corporate Operation Fund.*

The sum of \$10,000 will initially be placed in this fund from bond proceeds for payment of authorized expenses of the corporation. The corporate operation fund will be replenished as required from district additional rental payments pursuant to the facility lease.

Insurance

The corporation will covenant in the indenture to maintain or cause to be maintained insurance on the property as follows. Insurance shall be in an amount equal to 100% of the project replacement costs (except that earthquake insurance may be subject to a deductible clause of not to exceed ten percent of such replacement cost for any one loss and except that such other insurance may be subject to deductible clauses for any one loss of not to exceed the lesser of one hundred thousand dollars (\$100,000) or the amount in the reserve fund in excess of one-half of maximum annual debt service and available for the purpose) or, in the alternative, in an amount and in a form sufficient (together with moneys in the reserve fund and available for the purpose), in the event of total or partial loss, to enable the corporation either to retire all bonds then outstanding or to restore such structure to the condition existing before such damage. The earthquake insurance need be provided only if available on the open market at a reasonable cost from reputable insurance companies. The following is a summary of various insurance requirements stipulated by the indenture and the facility lease. Under the facility lease, the district

will agree to provide such insurance unless the insurance is being provided by the corporation or construction contractor.

1. Insurance against loss from fire, lightning, vandalism, malicious mischief, and such perils ordinarily defined as "extended coverage", subject to the aforementioned deductible provisions.
2. Insurance against loss from earthquake, subject to the aforementioned deductible provisions.
3. Insurance against loss from leakage of sprinkler systems, following completion of construction.
4. Insurance against loss from explosion of steam boilers, following completion of construction.
5. Full rental interruption insurance against any of the above risks for a period of at least the time allowed for construction of structures plus three months, subject to a 30-day deductible provision.
6. Public liability and property damage insurance in the amount of at least \$1,000,000 per occurrence for one person and \$3,000,000 for more than one person involved in an accident or such other kinds of insurance or methods or plans of protection providing reasonable protection as may be adopted by the corporation.

Proceeds of rental interruption insurance are to be treated as revenues. Proceeds of other insurance against loss or damage to property are to be applied to the repair or reconstruction of the project or, under the circumstances set forth in the indenture, to redemption of outstanding bonds.

Title Insurance

As additional security for bondholders, a title insurance policy in the principal amount of the bonds will be provided, insuring the corporation's title in the leasehold estate created by the site lease and insuring the validity of the facility lease. The policy will be written by Western Title Insurance Company at or prior to the delivery of bonds.

Eminent Domain

If all or any portion of the trust estate is taken by eminent domain, proceeds from any eminent domain award or any agreement made prior to eminent domain are payable to the trustee. The trustee shall use said money, if project operation has not been materially damaged, to repair or rehabilitate the project or shall treat said money as revenues. If eminent domain is material, all proceeds shall be used to redeem the currently offered Bonds as provided for in Section 9.13 of the indenture.

Issuance of Additional Bonds

Additional series of bonds, on a parity with the subject bonds, may be issued for the completion or extension of the project, provided that:

1. The corporation is not in default under the indenture.
2. The additional bonds mature on February 1.
3. The corporation has entered into a new or revised facility lease with the district under which the district is obligated to increase base rental in amounts sufficient to provide for the payment of the principal of and interest on the additional bonds when due.
4. The reserve fund be at least equal to total maximum annual debt service.

Additional bonds or obligations payable from revenues or having a lien upon the trust estate may also be issued if:

1. The corporation shall not be in default under the indenture;

2. The proceeds from the issuance of such additional bonds or obligations are to be expended for the purpose of constructing additions, extensions or improvements to the project, or, if necessary, for the completion of the project; and
3. The holders of at least sixty percent (60%) in aggregate principal amount of the bonds then outstanding shall have consented in writing to the issuance of such additional bonds or obligations.

Remedies of Trustee Upon Default

The indenture defines nine events of default including the failure to pay principal or interest on the bonds as well as other specified types of failure, incapacity or demonstration of insolvency of the corporation which might adversely affect the interests of bondholders.

Upon default the trustee may proceed, and upon written request of the holders of at least 25% in aggregate principal amount of the outstanding bonds shall proceed, to declare the outstanding bonds and the accrued interest thereon to be due and payable immediately. However, if after this declaration but before any judgment or decree has been obtained, the overdue bond principal and interest is paid, the declaration of default may be rescinded by the holders of at least 60% in aggregate principal amount of the outstanding bonds.

The indenture provides that if an event of default is continuing, the trustee may, and upon written request of holders of a majority in aggregate principal amount of the outstanding bonds and upon indemnification to its satisfaction shall, proceed to enforce the rights of the trustee and bondholders by a suit in equity or action at law. In addition, and under the same conditions, the trustee may, and upon request shall, take possession of and operate the project and/or sell the project under its power of sale.

Additional Covenants

Among other covenants to be made by the corporation in the indenture are the following:

- 1. To pay punctually the principal and interest on the bonds.
- 2. To complete the project with all practicable expedition.
- 3. To issue no obligations payable from revenues except additional series of bonds and additional bonds as specified in the indenture.

Other Articles of Indenture

The prospective bondholder is again expressly referred to the indenture, site lease and facility lease for specific language relating to definitions, the bonds, redemption, remedies on default, the trustee, modification of the indenture, defeasance and other important subject matters.

Closing Documents

In addition to the opinion of bond counsel, the corporation will, at the time of delivery of the bonds, furnish the purchaser the following documents, all to be dated as of the date of delivery:

- 1. *No-Arbitrage Certificate.* A certificate of a responsible officer of the corporation that, on the basis of the facts and circumstances in effect at the time of delivery of the bonds, it is not expected that the proceeds of the bonds will be used in a manner that will cause the bonds to be arbitrage bonds.
- 2. *No Litigation Certificate.* A certificate of a responsible officer of the corporation that there is no litigation pending affecting the validity of the bonds. (See page 23 for a discussion of litigation affecting the district.)
- 3. *Signature Certificate.* A certificate of the respective officers of the corporation stating that they have signed the bonds, by manual or facsimile signature, and that they were duly authorized to execute the same.

- 4. *Trustee’s Receipt.* The receipt of the trustee showing that the purchase price of the bonds, including accrued interest to the date of delivery, has been received by the corporation.
- 5. *Certificate Concerning Official Statement.* A certificate, signed by appropriate officers of the district acting in their official capacity, to the effect that (a) the members of the Board of Directors of the district have reviewed the official statement and have determined that as of its date, to the best of their knowledge and belief, the official statement did not contain an untrue statement of a material fact or omit to state any material fact necessary to make the statements made, in light of the circumstances in which they were made, not misleading; and (b) the signatories know of no material adverse change in the condition of the district (not in the ordinary course of operations of the district) which would make it unreasonable for the purchaser of the bonds to rely upon the official statement in connection with the resale of the bonds.

TABLE 3
SUMMARY OF SOME OF THE PROTECTIVE PROVISIONS FOR BONDHOLDERS*
LOS MEDANOS COMMUNITY HOSPITAL DISTRICT (PITTSBURG AREA)
HOSPITAL BUILDING CORPORATION

I. GENERAL BONDHOLDER PROTECTION

A. Bond Reserve Fund

1. Equal to maximum annual debt service.
2. Initially funded from bond proceeds.
3. Replenished if needed from all moneys available after the deposits required by the interest fund, principal fund, and operation and maintenance fund.

B. Firm construction bids

1. Corporation has a firm construction bid of \$8,711,000 in hand.

C. Facility lease

1. Lease requires district to make semiannual base rent payments for use and occupancy of facilities.
2. Lease is enforceable according to its terms.
3. District officials are required to budget rent payments.
4. Rent payments are made directly to bank trustee.
5. Various types of insurance, including rental interruption, fire and extended coverage, earthquake and liability insurance, are required to minimize any likelihood of default in the event that the building is unavailable for use and occupancy.

D. Orrick, Herrington, Rowley and Sutcliffe, opinion

1. Bond counsel will issue a legal opinion approving validity of bonds.
2. Bond counsel will issue an opinion that interest payable by the corporation on its bonds is exempt from all present federal income taxes and State of California personal income taxes.

II. CONSTRUCTION PERIOD BONDHOLDER PROTECTION

A. Funded interest during construction

1. 24 months' funded interest.
2. Bond reserve fund equal to maximum annual debt service is available for debt service.
3. Construction period 555 days for the project.
4. Liquidated damages to be paid by contractor in the event of non-completion of the project at the rate of \$500/day for each calendar day of delay beyond the 555 days until and including July 31, 1979. After July 31, 1979, liquidated damages have been set at \$3,750 per day.
5. Balance of money in construction fund can be used for interest payments.
6. Interest earnings (estimated at \$533,000) augment construction fund.

B. Contractor's insurance and bond requirements

1. Builders' all-risk insurance with extended coverage including fire and lightning, vandalism and malicious mischief insurance (\$2,500 deductible).
2. Earthquake insurance (2% deductible).
3. Rental income insurance (30 day deductible).
4. 100% labor and materials bond.
5. 100% performance of contract bond.
6. Availability of reserve fund for losses not insured against by reason of insurance deductible.

C. Project change orders and cost increases

1. Construction bid in hand for \$8,711,000 to complete the project.
2. Change orders must be paid from corporation contingency funds or by district as tenant's improvements.

III. POST-CONSTRUCTION BONDHOLDER PROTECTION

A. District required to budget rent payments for use and occupancy of buildings.

B. Reserve fund available equaling maximum annual debt service, to be replenished from all available moneys after the deposits required by the interest fund, principal fund, and maintenance and operation fund.

C. Insurance after district accepts project

1. Rental interruption insurance (30-day deductible permitted).
2. Extended coverage insurance, including fire, lightning, vandalism, malicious mischief, and other hazards insurance (\$100,000 deductible permitted).
3. Earthquake insurance, if available at reasonable cost on the open market from reputable insurance companies (10% deductible permitted).
4. Public liability and property damage insurance.
5. Title insurance in full amount of issue.

* The contents of this table endeavor, among other things, to summarize, but not to explain in detail, provisions made to minimize any likelihood of rental abatement and to provide for a substitute source to pay bond principal and interest. See the indenture, site lease, facility lease and other portions of this official statement for a more detailed exposition of the protections outlined in this table.

Annual Bond Service

Table 4 presents an estimate of annual bond service based on an assumed interest rate of 6¾%. The first base rental payment will be due July 15, 1979; all subsequent rental payments are due at least 15 days before the bond service to which they

are applicable becomes due. Assuming a 6¾% interest rate, it is currently estimated that the semiannual base rent would be \$530,000, resulting in an annual estimated base rent of \$1,060,000.

TABLE 4
CORPORATION'S ESTIMATED BOND SERVICE AND ESTIMATED BASE RENT

Fiscal Year	Principal Outstanding at Beginning of Year	Estimated Interest at 6.75%		Principal Maturing February 1	Total Bond Service	Estimated Annual Corporation Base Rental Income*
		August 1	February 1			
1977/78	\$12,600,000	\$ 425,250†	\$ 425,250	\$ —	\$ 850,500‡	\$ —
1978/79	12,600,000	425,250	425,250	—	850,500‡	—
1979/80	12,600,000	425,250	425,250	200,000	1,050,500	1,060,000
1980/81	12,400,000	418,500	418,500	225,000	1,062,000	1,060,000
1981/82	12,175,000	410,906	410,906	225,000	1,046,812	1,060,000
1982/83	11,950,000	403,313	403,313	250,000	1,056,626	1,060,000
1983/84	11,700,000	394,875	394,875	275,000	1,064,750	1,060,000
1984/85	11,425,000	385,594	385,594	275,000	1,046,188	1,060,000
1985/86	11,150,000	376,313	376,313	300,000	1,052,626	1,060,000
1986/87	10,850,000	366,187	366,187	325,000	1,057,374	1,060,000
1987/88	10,525,000	355,219	355,219	350,000	1,060,438	1,060,000
1988/89	10,175,000	343,406	343,406	375,000§	1,061,812	1,060,000
1989/90	9,800,000	330,750	330,750	400,000§	1,061,500	1,060,000
1990/91	9,400,000	317,250	317,250	425,000§	1,059,500	1,060,000
1991/92	8,975,000	302,906	302,906	450,000§	1,055,812	1,060,000
1992/93	8,525,000	287,719	287,719	475,000§	1,050,438	1,060,000
1993/94	8,050,000	271,688	271,688	525,000§	1,068,376	1,060,000
1994/95	7,525,000	253,969	253,969	550,000§	1,057,938	1,060,000
1995/96	6,975,000	235,406	235,406	575,000§	1,045,812	1,060,000
1996/97	6,400,000	216,000	216,000	625,000§	1,057,000	1,060,000
1997/98	5,775,000	194,906	194,906	675,000§	1,064,812	1,060,000
1998/99	5,100,000	172,125	172,125	725,000§	1,069,250	1,060,000
1999/2000	4,375,000	147,656	147,656	775,000§	1,070,312	1,060,000
2000/01	3,600,000	121,500	121,500	825,000§	1,068,000	1,060,000
2001/02	2,775,000	93,656	93,656	875,000§	1,062,312	1,060,000
2002/03	1,900,000	64,125	64,125	925,000§	1,053,250	1,060,000
2003/04	975,000	32,906	32,906	975,000§	1,040,812	¶
Total		\$7,772,625	\$7,772,625	\$12,600,000	\$28,145,250	

* Semiannual base rent for financial planning purposes is estimated at \$530,000 or \$1,060,000 on an annual base rent basis.

† The first interest payment due August 1, 1977 is for six months' interest.

‡ To be paid from funded interest from bond proceeds.

§ Callable on or after February 1, 1988 from any source of funds.

¶ It is anticipated that the August 1, 2003 interest payment and the February 1, 2004 principal and interest payments will be made from the reserve fund.

THE PROJECT

The 78-bed hospital construction project, to be financed by the corporation from bond proceeds of the currently offered issue, includes phase two of the Los Medanos Community Hospital District construction program. Phase one and phase two of the project will result in the construction of a 133,000 square foot five-story 78-bed hospital on a site located near the Pittsburg-Antioch Freeway (State Highway 4) at the intersection of Loveridge and East Leland Roads in Pittsburg, California. The 11.2-acre site to be leased by the district to the corporation is part of a 20-acre parcel purchased by the district and capitalized at a value of \$427,722.

The hospital will offer full ancillary and outpatient facilities. The bed complement includes 8 intensive care unit/coronary care units, 4 obstetrics/gynecology and 66 medical/surgical units. The ancillary services will encompass 29,100 square feet and will provide a complete array of services. An additional 1,800 square feet have been programmed for community education facilities which will also be utilized for in-service staff training. Selected areas of the facility have been planned for easy expansion and flexibility to provide for future growth. The fifth floor will be shelled in for future expansion of 35 beds. However, the space will be used for storage and in-service training until said new beds are needed and authorized by the various state and local agencies.

The project will replace the currently licensed 78-bed acute care hospital located at 550 School Street, Pittsburg, California (about 2 miles from the construction site). The currently existing hospital was built in 1945 by the United States Government. The board of directors of the district and the voters of the district have determined that a new hospital, located near the Pittsburg-Antioch Freeway about equi-

distant from the population centers of the City of Pittsburg and the City of Antioch on adequate level land, should be constructed rather than undertaking extensive and expensive modernization of the existing facility. The site for the new hospital has also been recommended by various hospital consultants as an ideal location for a hospital.

The district has not, as of the date of this official statement, determined what alternative use the existing facility will be assigned or whether the old facility will be sold to another governmental entity or to a private firm or individual.

The new hospital should be completed during the fall of 1978, about 555 days after commencement of construction. The hospital constructed by the corporation will be complete with all type I equipment installed by the contractor. All movable equipment, types II and III, will be provided by the district from the existing stock of furniture and equipment and from equipment purchases to be made from tax revenue generated during fiscal year 1977/78. The district's equipment consultant currently projects that the hospital will require approximately \$938,399 of type II and III equipment in addition to currently possessed equipment. The district has budgeted \$300,000 for moving expenses (moving company costs, loss of hospital revenue and personnel training costs) from the existing facility to the new hospital and plans to move as soon as the new facility is completed and accepted.

The project has been divided into two phases. Phase one of the district construction program includes retaining professional services, site preparation, earthwork, concrete forming and placing, concrete reinforcement, structural steel, and metal decking. On August 16, 1976, the district entered into five construction contracts for phase one preliminary work as shown in table 5.

Upon delivery of bond proceeds, phase two of the project will commence. On the date of the bond closing, the district will assign to Continental Heller Corporation, the lowest bidding general contractor for phase two of the project, the contracts for phase one work remaining to be completed. Continental Heller Corporation is required to accept the assignment of said phase one contracts. All payments for phase one construction contracts remaining on the date of delivery of bond proceeds shall be made from funds deposited by the district with United California Bank, trustee for the corporation. Continental Heller Corporation shall be responsible for the complete construction of the project, including all work done by phase one contractors.

Project Architect

Lyons and Hill Architects AIA, Inc., has worked with the district since December 19, 1973 in the capacity of architect. Lyons and Hill evaluated the comparative feasibility of reconstruction of the existing hospital or construction of a new hospital, completed a master hospital construction program study, defined the square footage requirements of the new structure, evaluated and planned the new hospital requirements for acute facilities and ancillary facilities and then, after district approval, prepared all of the plans and specifications in behalf of the district for both phases one and two of the project. Lyons and Hill will continue to provide normal architectural services to the district and corporation throughout phase two of the project. Lyons and Hill reports that all State of California divisions and departments which have authority over hospital construction have granted all required exemptions, have approved all plans and specifications and have given the district the required approval to proceed with the project as designed.

Project Construction Consultant

The district has retained Turner Construction Company, a large national construction firm, to assist the district by providing expert consulting with regard to fast-track construction, working with the district architect in a value engineering capacity, providing accurate construction estimates, cost control procedures and reports, and the coordination and supervision of the total project. Turner Construction Company, founded in 1902, reports it was involved in \$700 million of construction during 1976 with about \$200 million in hospital and medically related construction projects across the country.

The General Contractor

Continental Heller Corporation, the lowest competitive bidder among eight other bidders for the construction of phase two of the project, submitted a construction bid of \$8,711,000. Continental Heller Corporation has been engaged in the contracting business under the present business name for over ten years with contractor's license number 245633. Continental Heller Corporation, Box 2551, Sacramento, California 95812, lists M. F. Heller, Chief Executive Officer; Dean G. Jacobs, President; Cecil F. Mark, Executive Vice President; David M. Suter, Secretary-Treasurer. The corporation's principal bank activities have been with Wells Fargo Bank, 500 Capitol Mall, Sacramento, California while the certified public accountants for the firm are Coopers & Lybrand, 555 Capitol Mall, Sacramento, California.

Table 6 includes a Continental Heller Corporation selected list of hospital projects the firm has completed. Table 7 lists additional projects currently under construction or completed by Continental Heller Corporation.

TABLE 5
PHASE ONE CONSTRUCTION CONTRACTS

<i>Work</i>	<i>Amount</i>	<i>Contractor</i>
Clearing and earthwork	\$ 39,490	William G. McCullough Company
Concrete forming and placing	123,300	The Pacific Company – Engineers & Builders
Concrete reinforcement	22,835	The Pacific Company – Engineers & Builders
Structural steel	775,000	Riverside Steel Construction
Metal decking	137,347	H. H. Robertson Company
	\$1,097,972	

TABLE 6
CONTINENTAL HELLER HOSPITAL PROJECTS

Sutter Hospital (1969)	\$7,639,000
Oroville Medical Arts Center (1969)	329,000
Sacramento Medical Center (1967)	8,780,000
Auburn Hospital (1966)	980,949
Mercy General Hospital (1954)	2,605,000

Construction Period and Liquidated Damages

Commencement of construction of phase two of the hospital will occur immediately after the delivery of the bonds by the corporation and the receipt of bond proceeds. The construction contract to be entered into by the corporation with Continental Heller Corporation requires completion of the project in 555 consecutive calendar days after notice to proceed. Delay of completion of the project beyond 555 days caused by non-performance of the contractor is subject to liquidated damages of \$500 per day until and including July 31, 1979. No time extension will be given to the contractor beyond July 31, 1979 for any reason except for delays caused by an act of war declared by the Congress of the United States, or delays caused directly by loss or damage to the project caused by perils covered by all-risk insurance and rental income insurance. Continental Heller Corporation will be subject to liquidated damages of \$3,750 for each consecutive calendar day during which said work remains uncompleted commencing August 1, 1979.

Performance Bonds

The general contractor must maintain a 100% labor and materials bond and a 100% performance of contract bond in an amount equal to the contract price. The general contractor must also maintain a defective material and workmanship bond in an amount equal to 10% of the total construction contract price for a period of one year after completion and acceptance of work.

TABLE 7
EXPERIENCE STATEMENT OF
CONTINENTAL HELLER CORPORATION*

<i>Year</i>	<i>Location, Magnitude and Type of Work</i>	<i>Owner</i>
1969	Office Buildings 8 and 9, Sacramento, CA / \$7,570,000†	State of California
1970	Tracy Defense Depot, Tracy, CA / \$3,068,000†	Corps of Engineers
1971	Air Group Hangar 5, Lemoore Naval Air Stn., CA / \$4,277,000†	Department of the Navy
1972	Pet Food Packaging Plant, Sparks, Nevada / \$9,317,000†	Ralston Purina
1973	Downtown Plaza Towers, Sacramento, CA / \$4,650,000†	Downtown Plaza Properties
1973	Davis Wastewater Treatment Plant, Davis, CA / \$3,111,000†	City of Davis
1974	Dried Food Packaging Plant, Yuba City, CA / \$10,700,000†	Sunsweet Growers
1974	Aluminum Can Manufacturing Plant, Jacksonville, Florida / \$23,000,000†	Anheuser Busch
1974	Cold Storage Facility, Ocala, Florida / \$6,555,800†	Certified Grocers
1974	Fresno Bee Addition, Fresno, CA / \$2,353,000†	McClatchy Newspapers
1974	Office Building and Garage, Phoenix, Arizona / \$6,000,000†	McKeon Construction
1975	Wastewater Treatment Plant, Oroville, CA / \$5,232,000	Sewerage Commission, Oroville Region
1975	Weapons Facility, McClellan AFB, Sacramento, CA / \$4,101,000	Corps of Engineers
1975	Community Center Parking Structure, Sacramento, CA / \$4,262,000†	City of Sacramento
1975	County Administration Building Phase III, Sacramento, CA / \$13,327,000†	County of Sacramento
1976	Wells Fargo Bank Building, Placerville, CA / \$288,128	Wells Fargo Bank
1976	Weinstock's Department Store, Modesto, CA / \$3,993,000	Weinstock's
1976	Preservation and Restoration of the California State Capitol, Sacramento, CA / \$36,500,000‡	State of California
1976	Rapid Transit System (portion), Atlanta, Georgia / \$7,915,000‡	Metropolitan Atlanta Rapid Transit Authority
1976	Vegetable Canning Facility, Janesville, Wisconsin / \$5,200,000	Libby, McNeill & Libby
1976	Coal Burning Facility, San Andreas, CA / \$1,900,000	Flintkote Company

* Continental Heller Corporation has been engaged in the contracting business under the present business name for over ten years. The corporation reports it has 31 years of experience in work of a similar nature and magnitude.

† Completed projects.

‡ Joint ventures sponsored by Continental Heller Corporation.

Builders’ Risk Insurance

The corporation will cause to be taken out and maintained during the life of the contract and until final acceptance of the work, builders’ risk insurance against loss or damage to the project by fire and lightning, with extended coverage, vandalism, malicious mischief, flood and earthquake endorsements. Said extended coverage endorsement shall cover loss or damage by explosion, windstorm, riot, aircraft, vehicle damage, smoke, and such other hazards as are normally covered by such endorsement. Such insurance shall be in an amount equal to the replacement cost (without deduction for depreciation) of all structures constituting any part of the project, excluding the cost of excavations, of grading and filling, and of the land, and except that such insurance (except earthquake and flood insurance) may be subject to deductible clauses of not to exceed \$2,500 for any one loss, and the contractor shall be responsible for losses uninsured against by reason of such deductible clauses. Earthquake and flood insurance may be subject to deductible clauses of not to exceed two percent (2%) of such replacement cost for any one loss. The corporation shall be responsible for the first \$500,000 of losses uninsured against by reason of any deductible clauses applicable to the earthquake and flood insurance, and the contractor shall be responsible for any excess of uninsured losses. Such insurance will not cover loss or damage to the contractor’s equipment, metal scaffolding or other materials not to be consumed in the construction of the project.

Said policy shall also provide that all proceeds thereunder shall be payable to the trustee pursuant to a lender’s loss payable endorsement substantially in accordance with the form approved by the Insurance Services Office and the California Bankers Association if and to the extent, in the opinion of the trustee, such endorsement is necessary, and will name the contractor, subcontractors and sub-subcontractors of all tiers of the work, as additional insureds, as their interest may appear. The trustee shall collect, adjust and receive all moneys which may become due and payable under said policy, may compromise any and all claims thereunder, and shall apply the proceeds of such insurance to the repair, reconstruction or replacement of the project as provided in the indenture.

Rental Income Insurance

The corporation will cause to be taken out and maintained until completion and acceptance of the project, rental income insurance on the project, in an amount not less than the total rental payable by the district pursuant to the facility lease for a period of at least the time allowed for construction of such structure plus three (3) months, to insure against loss of rental income from the project caused by the perils covered by the insurance required in the previous section. Any such insurance policy shall contain a loss payable clause making any loss thereunder payable to the trustee, as its interest may appear.

Worker’s Compensation Insurance

Before beginning work, the contractor shall furnish to the corporation satisfactory proof that he has taken out, for the period covered by the work under the contract, full compensation insurance for all persons whom he may employ directly or through subcontractors in carrying out the work contemplated under the contract in accordance with the “Worker’s Compensation and Insurance Act”, Division IV of the Labor Code of the State of California or any act hereafter enacted. Such insurance shall be maintained in full force and effect during the period covered by the contract. Such insurance may be evidenced by a certificate of insurance.

The contractor shall sign and file the Worker’s Compensation certification prior to performing the work of the contract. All policies of insurance and certificates of insurance shall be satisfactory to the trustee, to the corporation and to the district. Each such policy or certificate shall bear an endorsement precluding its cancellation or any reduction in its coverage without giving to the corporation, to the district, and to the trustee at least thirty (30) days’ written notice prior thereto. The contractor shall at the time of execution of the contract, file with the corporation, the district, and the trustee, the certificates of insurance herein required and the separate policies of insurance required.

Ambulatory Care Center

The 78-bed hospital to be constructed with bond proceeds has ancillary and support services adequate to provide for up to 120 beds with no additional construction. In addition to the hospital proper, the site and utilities have been master planned to accommodate a 30,000 square foot ambulatory care clinic which could house all outpatient primary care activities for the entire east Contra Costa County area. Negotiations are in process with the Contra Costa County Medical Services Program with the intention of relocating that facility currently functioning in overcrowded conditions in the City of Pittsburg (there is no assurance, however, that the negotiations will be successful). The center would utilize district based diagnostic and therapeutic equipment and services, thereby eliminating costly duplication of equipment and at the same time providing the hospital with the benefits of increased revenue and utilization of beds.

The ambulatory care center project is awaiting financing which may or may not be realized through joint powers authority funding, grant moneys, or guaranteed loan agreements with state or federal agencies. The project was submitted to the United States Economic Development Administration and is awaiting second round allocations by the Administration since the project was rejected under the first round of allocations for financing. In addition to the basic ambulatory care clinic facilities, medical offices for private practitioners and specialists in the same building are being planned. The specific kind of financing for said medical office buildings has not been determined as of the date of this official statement.

Use of Bond Proceeds

Table 8 is an estimate of the use of bond proceeds of the currently offered issue. Table 9 shows phase one and phase two project costs and the sources of moneys to meet said costs. The corporation is financing the majority of the architect's fees and the entire cost of phase two construction.

TABLE 8
USE OF BOND PROCEEDS

Construction bid in hand — Continental Heller Corporation	\$ 8,711,000
Architect's fees (portion payable by corporation)	618,104
Construction consultant (portion payable by the corporation)	182,100
Testing and inspection	40,000
Plan-check fees	26,000
Contingencies and change orders	506,796
Administration and overhead expenses (including trusteeship, printing, title insurance, legal counsel, other professional services and miscellaneous)	140,000
Corporation insurance (two years)	67,000
Reserve fund (maximum annual debt service)	1,070,000
Funded interest (24 months)	1,701,000
Less: Interest earnings	
Accrued interest	\$ 71,000
Construction fund	246,000
Reserve fund	64,000
Funded interest	81,000
	(462,000)
Par Value of Bonds to be Issued	\$12,600,000

TABLE 9
TOTAL HOSPITAL CONSTRUCTION COSTS

Projected costs	
Land	\$ 427,722
Construction and contingencies	10,319,768
Group II and III equipment	938,399
Architect	786,195
Other construction related costs	809,700
Nonprofit corporation financing costs	
Administration and overhead	140,000
Reserve fund	1,070,000
Funded interest	1,701,000
Retirement of tax anticipation notes	500,000
Available for renewal and replacement account and depreciation reserve account of the capital improvement fund and/or other district purposes	712,553
Total	\$17,405,337
Sources of funds	
District expenditures to June 30, 1976	\$ 1,090,362
District 1976/77 and 1977/78 estimated tax revenues	2,752,975
Nonprofit corporation bonds	12,600,000
Nonprofit corporation interest earnings	462,000
Tax anticipation notes	500,000
Total	\$17,405,337

Source: District records and Amherst Associates Inc. Financial Feasibility Report

THE DISTRICT

The Los Medanos Community Hospital District was formed on June 14, 1948. The district encompasses approximately 90 square miles in eastern Contra Costa County with about 72% of the district residents located in the City of Pittsburg. The primary service area of the hospital includes residents of the district and people located east of the district within the City of Antioch, the City of Brentwood and other outlying communities. The map, facing page 1, shows the San Francisco Bay Area, Contra Costa County, the district and the district primary hospital service area.

The Los Medanos Community Hospital is owned and operated by the district which is organized under Section 32000 et seq. of the Health and Safety Code of the State of California as a political subdivision.

The hospital is a full-service facility, licensed for 78 beds. In addition to routine medical, surgical, intensive care, coronary care, and maternity services, the hospital maintains its own clinical, pathology, cardio-pulmonary, and gastrointestinal laboratories, pharmacy, physical and respiratory therapy, radiology and nuclear medicine, emergency and outpatient departments. The basic support services are also maintained with a full complement of staff.

The district is a member of the California Hospital Association, the Association of Western Hospitals, the Hospital Council of Northern California, East Bay Hospital Conference, and the Association of California Hospital Districts, Incorporated. Licensed by the Department of Health of the State of California, the district hospital is fully accredited by the Joint Commission on Accreditation of Hospitals and the California Medical Association. The hospital is approved by the federal government for its Medicare program and by the state for Medi-Cal.

Medical Staff

The 1977 medical staff of the district hospital includes 27 active physicians, 17 provisional staff and 72 physicians with courtesy staff privileges. Appendix B, pages 31 through 36 of the Financial Feasibility Study, lists various data relating to the medical staff, ratios of physicians to population, physician recruitment needs and a detailed description of physicians' specialties, admission days, and other pertinent data.

Administration of the District

Management of the district and the formulation of district policy is the responsibility of the elected five-member board of directors of the district. Members of the board of directors are elected to four-year terms in staggered biennial elections.

The 78-bed hospital is administered on a day-to-day basis by Mr. Nicholas A. Ventrice, Administrator. Other administrators include Mr. Efton Hall, Jr., Assistant Administrator and Building Program Owner's Representative, and Mr. Wendell L. Snyder, Controller.

Dr. Casimir F. Jaskiewicz, M.D. is Chief of Staff of the district. Dorothy E. Simarro is Director of Nursing.

Nicholas A. Ventrice, Administrator, has been an employee of the Los Medanos Community Hospital District since the formation of the district in 1948. Prior to becoming administrator in 1973, Mr. Ventrice was Assistant Administrator for six years and business manager for five years. Reflecting a broad experience in hospital administration, Mr. Ventrice has also been the district's purchasing director, storeroom director, and senior accounting person. Mr. Ventrice began his hospital career with the City of Pittsburg Hospital (now the district hospital) in 1946 as an accounting clerk.

Efton Hall, Jr., Assistant Administrator/ Building Program Owner's Representative, received a Bachelor of Arts degree in sociology from Stanford University in 1972 and a Master of Public Health degree from the

University of California, Berkeley, with a major in hospital administration in 1974. Prior to becoming affiliated with the Los Medanos Community Hospital District in 1975, Mr. Hall was Hospital Administrator, Doctor's Hospital of Oakland, Oakland, California during 1975. Mr. Hall served in a top level administrative capacity with Brookdale Community Hospital prior to the sale of Brookdale to Doctor's Hospital of Oakland, Inc. Mr. Hall served as hospital administrative resident, Providence Hospital, Oakland, California during a portion of 1973 and as a hospital administrative trainee, Kaiser Hospital, Redwood City, California, during the summers of 1970, 1971, and 1972.

Wendell L. Snyder, Controller, received a Bachelor of Science degree in accounting and electronic data processing from the University of Maryland. Mr. Snyder has also completed graduate courses at George Washington University and the University of California, Los Angeles. Prior to becoming Assistant Controller and then Controller of the Los Medanos Community Hospital District in 1976, Mr. Snyder served as assistant controller for the Memorial Hospital of Gardena, California during 1975, and during a portion of 1976. Mr. Snyder has also gained accounting and management experience as staff accountant, Stanford Applied Engineering, Santa Clara, California (1973-74); as accounts payable manager and electronic data processing manager for Ringling Brothers, Barnum, and Bailey Combined Shows, Washington, D.C. (1969-72); and as fiscal and procurement assistant for the Library of Congress, Washington, D.C. (1967-69).

Dr. Casimir F. Jaskiewicz, M.D. is the current Chief of Staff. A member of the Los Medanos Community Hospital staff since 1950, Doctor Jaskiewicz graduated from Medical College of Virginia, Richmond,

Virginia. He completed his internship at St. Mary's Hospital, Huntington, West Virginia in orthopedic surgery. He has held teaching appointments at the Nursing School, St. Mary's Hospital, Huntington, West Virginia, and completed graduate training and residencies at Logan General Hospital, West Virginia, and Milton Memorial Hospital—Crippled Children's, West Virginia, respectively. Doctor Jaskiewicz, certified by the American Board of Orthopedic Surgery, obtained a California license to practice medicine on April 1, 1948.

Dorothy E. Simarro, Director of Nurses, completed undergraduate nursing studies in 1947 at Crawford W. Long (affiliated with the University of Georgia), Atlanta, Georgia, and received post-graduate training in 1958 at Sacramento County Hospital, Sacramento, California. Mrs. Simarro has been employed at the Los Medanos Community Hospital since 1960 as medical-surgical head nurse for four years, as emergency room head nurse for two years, as day supervisor/in-service director for three years, and as director of nurses for eight years. Mrs. Simarro has also had nursing experience at the Antioch Community Hospital (1958-59) and as an industrial nurse and personnel assistant.

The financial statements of the district and tables 16, 17, and 18 reflect the long-term results of the operation of the district. Variation of operating profit and loss over the last eight years is moderately wide and is exaggerated by settlements of Medicare and Medi-Cal accounts. Board policy, in the past, has been to utilize tax revenues for most major capital expenditures. The hospital rate structure has been set at a level which generated sufficient funds to cover all district obligations including prior bond interest and principal.

Management has generally adjusted expenses to match service volume. Reductions in admissions during the

previous few years are believed to have been caused by an environment of fewer active physicians in the Pittsburg area, despite an increasing population base. Regarding an historical decrease in the annual occupancy rate, Amherst Associates Inc. has concluded that an occupancy rate target of 75% for the new hospital is a reasonable goal, provided a program to attract and keep needed physicians is successful. The district believes, but cannot prove, that an increasing population in the primary service area and the construction of a new hospital will attract physicians to the Pittsburg area which will in turn increase admissions to the hospital.

Physician Recruitment

Amherst Associates Inc. indicates that the decline in the utilization of services provided by the existing Los Medanos Community Hospital can be traced to the decrease in the number of physicians in the Pittsburg area. Amherst Associates Inc. states that a net increase of 11 active hospital staff physicians is needed by 1980 if the hospital is to meet its goal of 75% or more occupancy rate in the new hospital.

Recognizing the need for new physicians, the hospital district is constructing a modernly designed and equipped facility which the district board of directors and district administrators believe will help attract new physicians. Two young physicians have recently moved to Pittsburg and have begun their practices. One of the two aforementioned physicians indicated at a December 8, 1976 district board of directors meeting that both new doctors are committed to staying in Pittsburg and that the primary attraction to the area is the fact that there will be a new hospital facility.

A formalized physician recruitment program is being undertaken by the district. As part of the program, the

district has retained World Wide Health Consultants, Inc., a New York City physician recruiting firm. To date, World Wide Health has ascertained:

- 1. the feasibility of obtaining physicians for the district;
- 2. the practice climate in Pittsburg for physicians; and
- 3. the economic ability of the hospital and community to support new physicians.

Physicians' names and resumes have been submitted to the district by World Wide Health. Specific plans, as of the date of this official statement, for financial assistance to recruited doctors are being reviewed by the district board of directors.

Operation of the new hospital at the Amherst Associates Inc. forecasted occupancy level requires a successful physician recruitment program. There is no guarantee that a sufficient number of physicians can be attracted to the Pittsburg area. However, if physicians are not attracted to Pittsburg, resulting in insufficient district operating revenue to meet semiannual base rental payments to the corporation, the district will have to utilize its ad valorem tax base to raise sufficient revenues for base rental payments to the corporation.

Tax Rate Increase Election

Although the district policy is to meet base rental and additional rental payments from operating revenues, the district decided, during December 1975, to strengthen the credit status of the district construction financing program by seeking voter approval for increasing the ad valorem tax rate of the district to 50¢ per \$100 assessed valuation. On March 2, 1976, 69% of the district electorate voted to increase the then existing 20¢ per \$100 assessed valuation tax levy authority of the district by 30¢ per \$100 assessed valuation to be used for capital outlay purposes. The following is the text of the tax increase election ballot measure:

Shall the maximum annual tax rate which Los Medanos Community Hospital District is empowered to levy upon all property within the District subject to taxation for District purposes be increased for not to exceed thirty years by thirty cents (30¢) per One Hundred Dollars (\$100) of assessed valuation for the object and purpose of capital outlay, namely, the acquiring of a new hospital located in the District, including lands, easements, improvements, equipment, furniture, facilities and appurtenances necessary and convenient for the construction and improvement of said hospital, said hospital to be acquired by lease or purchase or any other financing method selected by the Board of Directors of the District?

Table 10 shows the amount raised by the district 50¢ per \$100 assessed valuation tax levy in 1976/77. The same table shows projected maximum tax levies based on an assumed 5% increase in the district assessed valuation per year and an assumed 50¢ per \$100 tax levy.

Need to Replace Existing Hospital

The elected board of directors of the district has determined that the 30-year-old hospital structure which does not conform to various California code requirements relating to hospital structures must be replaced by a modern and safe facility. Community support for the board decision is evidenced by the 69% voter approval of the measure submitted to the electorate authorizing an increase in the ad valorem tax rate specifically for construction of a new district hospital facility and by the campaigning efforts of doctors in the district who strongly advocated construction of a modern medical facility. The text of the letter shown on this page from the hospital Chief of Staff illustrates the support of the medical staff for the building program.

January 4, 1977

Board of Directors
Los Medanos Community Hospital District
550 School Street
Pittsburg, California 94565

Dear Board Members:

The active Medical Staff of the Los Medanos Community Hospital District would like to reiterate its full support for the construction of a new replacement facility within the District.

This support is evidenced by our financial and personal support given the District during the Measure "J" Bond Election campaign and is further evidenced by the establishment and continuation of the offices and practices of the Staff within the District boundaries.

Sincerely,
/s/ C. F. JASKIEWICZ, M.D.
CHIEF OF STAFF

The board of directors of the district has determined that replacement of the existing 78-bed hospital is the most reasonable and practical solution to several problems faced by the district. The following is a brief summary prepared by Lyons & Hill Architects AIA, Inc. regarding physical and economic reasons for replacing the existing facility which was built in 1945:

1. The existing hospital does not conform to current codes and regulations.
2. The uniform building code requires all hospital buildings to be fire sprinklered after June 30, 1976. (Note: Los Medanos Community Hospital District was granted a temporary exemption from the sprinkler requirement since construction of a new facility is in progress.)
3. State law prohibits substantial structural changes to an existing hospital facility, such as those that would be required to install a fire sprinkler system, without bringing the entire hospital plant up to code conformance. A licensed structural engineer has estimated that it would cost approximately \$2 million to bring the present facility up to code. Said expenditure would not result in an optimum facility given the vast difference between the basic 30-year-old design of the present structure and today's concepts in hospital design.
4. The existing structure is not in conformance with California Earthquake Regulations and it would not be economically sound to attempt reconstruction to bring the facility into code conformance.
5. Current hospital physical plant systems are at the end, or near the end, of their useful life.
6. The existing hospital deficiencies raise the possibility of loss of Joint Commission Accreditation.
7. The existing site does not offer adequate land for parking, circulation, and expansion.

8. Current inter-departmental physical relationships do not offer cost effective time flows of personnel and materials due to obsolete arrangements.

The now non-existent Comprehensive Health Planning Association (CHPA) of Contra Costa County, a voluntary nonprofit organization affiliated with the Bay Area Comprehensive Health Planning Council, however, in the past opposed the replacement of the existing 78-bed hospital in Pittsburg.

On October 26, 1972, the district submitted an application for the replacement and relocation of the existing hospital to the CHPA. Following a public hearing on May 2, 1973, the CHPA recommended that the application of the district be disapproved, finding that the hospital service area in which the hospital is located was currently over-bedded and that coupled with the utilization rates there was no justification for replacing the total 78 beds, that replacing the current mix of services would perpetuate inefficiency caused by duplication of services at the hospital and Delta Memorial Hospital, that the application is contrary to a moratorium on health facility construction in eastern Contra Costa County, and that the application does not reflect joint planning with Delta Memorial Hospital to achieve an acute care hospital for the area. The Bay Area Comprehensive Health Planning Council on May 22, 1973 upheld the recommendation of the CHPA disapproving the application of the district. After receiving advice from the California State Department of Health that the district could proceed without securing approval from the appropriate health facility planning agency, the district, on December 27, 1973, submitted an application for a health facilities license to the State Department of Health. On June 25, 1974, the Bay Area Comprehensive

Health Planning Council filed a lawsuit for declaratory relief against the district, the State of California, and the chief of the facilities construction section of the Department of Health. On November 13, 1975, following a trial, the Superior Court entered judgment in favor of defendants and against the Bay Area Comprehensive Health Planning Council, and the district is proceeding in accordance with this judgment.

The California Health and Safety Code, by amendments effective September 9, 1976, now requires all hospitals to obtain either a certificate of need or a certificate of exemption from the California State Department of Health before constructing new or replacement facilities. Believing itself eligible, the district applied for an exemption, and following a public hearing, on December 28, 1976 the California Department of Health granted a certificate of exemption to the district, eliminating the necessity to obtain a certificate of need for the project.

TABLE 10
ESTIMATED DISTRICT TAX
REVENUES*

<i>Fiscal Year</i>	<i>Projected District Tax Revenues</i>
1976/77	\$1,342,975†
1977/78‡	1,410,000‡
1978/79¶	1,480,000‡
1979/80	1,554,000‡

* Assumes a 50¢ per \$100 assessed valuation tax levy. The district, upon budget analysis each fiscal year, may decide to levy an amount less than 50¢ per \$100 assessed valuation.

† Actual 1976/77 tax revenue expected by district.

‡ Projections based on an assumed 5% per year assessed valuation increase and a 50¢ per \$100 assessed valuation tax rate.

§ Available for equipment purchases, moving expenses and other necessary construction-related expenses including contributions to the renewal and replacement and depreciation reserve accounts.

¶ The first base rent payment, due July 15, 1979, must be reserved and set aside out of the 1978/79 tax revenues or out of operating revenue.

Source: District forecast.

Litigation

The district is a defendant in routine legal actions, some of which involve alleged medical malpractice. The damages sought in each medical malpractice lawsuit are within the limits of the district's malpractice insurance. There is no other material litigation pending, or to the district's knowledge threatened, against it.

Regulation and Other Health Care Field Developments

The hospital is subject to regulation by the California Department of Health, the United States Department of Health, Education and Welfare, and other federal, state and local governmental agencies and bodies. As a result, the hospital is subject over time to a changing body of laws and regulations which have a significant impact on the hospital's operations. In particular, the hospital's revenues flow in part from the federal Medicare, and California Medi-Cal programs. It is not possible to predict the effect on the hospital's operations of future changes in these forms of governmental regulations and reimbursement.

With respect to Medicare, current regulations provide that bond interest is reimbursable. Bond principal is not considered a reimbursable cost. Instead, a depreciation charge based on the cost of hospital buildings and equipment is allowed. Depreciation rates generally follow those set forth by the American Hospital Association, third party payors, and the Internal Revenue Service as to various types of real property and equipment. In the early years of the financing period, reimbursement to the district for depreciation by such cost-based third party payors such as Medicare will exceed prorated cash needs for bond principal payments from patients covered by such plans. In later years, reimbursement for depreciation may be less than such needs. The Medi-Cal program incorporates substantially the same principles of reimbursement as the Medicare program for in-patient services. Medi-Cal reimbursement for out-patient services is based on a fee schedule established by the state.

Developments in other aspects of the district's regulatory environment could also affect, either positively or negatively, the district's operations to an extent that cannot be determined at this time. Changes may include such developments as the enactment of some form of national health insurance; legislation altering the law of medical malpractice and/or instituting a state malpractice insurance program; amendment of Medicare and Medi-Cal reimbursement regulations concerning utilization review procedures, reasonable cost levels, and health service quality; efforts by insurers and government agencies to limit the cost of hospital services and to reduce utilization of hospital facilities by such means as preventive medicine and support of health maintenance organizations; and other future legislation or regulations affecting hospitals, medical insurance, and the health care industry in general.

Malpractice Insurance Coverage

The district currently has malpractice coverage of \$20 million in increasing layers through various carriers. The district has had no problem to date in securing the above coverage at competitive rates, but can give no assurance that it will be able to obtain such coverage in the future.

TABLE 11
DISTRICT BED COMPLEMENT

	<i>Current Bed Complement</i>	<i>Project Bed Complement</i>
Type of room		
Private	3	20*
Semi-private	42	56
Ward	32	0
Isolation	1	2
Total Normal Bed Complement	78	78
Nursery	12	6
Recovery	5	7
Function		
Medical-surgical	51	66
Pediatric	0	0
Obstetric	12	4
ICU/CCU	15	8
Total	78	78

* Includes 8 intensive care unit beds and 4 obstetrics beds.
Source: District records.

Third Party Payments

At the present time, more than 50.2% of the hospital's revenue is derived from federal and state programs. The Amherst Associates Inc. projections assumed a moderate increase in the proportion of Medicare and Medi-Cal and other cost reimbursement patients. Table 12 shows recent numbers and percentages of said patients.

Comparison of Acute Beds

A comparison of the number of acute care hospital beds per 1,000 population in the east Contra Costa County area with acute care hospital bed ratios in other areas illustrates in part that there is a sufficient population base to support the number of available conforming beds in east Contra Costa County. Table 13 shows data for 1975 which indicate that the area in which the Los Medanos Community Hospital is located, with 2.22 acute care beds per 1,000 population, had a lower ratio of acute hospital beds to population than the County of Contra Costa (2.77 per 1,000), the State of California (3.92 per 1,000), and the United States (4.45 per 1,000).

Table 14 is a comparison of rates for five Contra Costa County hospitals.

TABLE 12
1975/76 DISTRICT GROSS REVENUE COMPONENTS

	In Patient		Out Patient		Total	
	Amount	Percent	Amount	Percent	Amount	Percent
Medicare	\$1,397,950	36.51%	\$ 147,107	13.42%	\$1,545,057	31.37%
Medi-Cal	663,222	17.32	267,237	24.37	930,459	18.89
Blue Cross	668,144	17.45	148,660	13.56	816,804	16.58
Other insurance	699,924	18.28	152,168	13.88	852,092	17.30
Private	399,665	10.44	381,144	34.77	780,809	15.86
Total	\$3,828,905	100%	\$1,096,316	100%	\$4,925,221	100%

Source: District records.

TABLE 13
A COMPARISON OF ACUTE GENERAL HOSPITAL BED RATIOS
EAST CONTRA COSTA COUNTY, CONTRA COSTA COUNTY,
CALIFORNIA AND THE UNITED STATES, 1970 AND 1975

	1970	1975
East Contra Costa County		
Civilian population*	78,972	87,527
Population excluding Kaiser Health Plan enrollees†	57,072	59,127
Acute hospital beds‡	131	131
Hospital beds per 1,000 population	2.30	2.22
Contra Costa County		
Civilian population excluding Kaiser Health Plan enrollees*†	n.a.	455,608
Hospital beds per 1,000 population‡	n.a.	2.77
State of California§		
Patient days per 1,000 population	963.2	953.0
(Beds required to accommodate patient days assuming average occupancy of 80%)	(3.30)	(3.26)
Hospital beds per 1,000 population	3.67	3.92
United States§		
Patient days per 1,000 population	1,185.2	1,218.3
(Beds required to accommodate patient days assuming average occupancy of 80%)	(4.06)	(4.17)
Hospital beds per 1,000 population	4.16	4.45

* Population sources: U.S. Bureau of the Census. "1975 Special Census for Contra Costa County", Contra Costa County Planning Department, October 1975. Contra Costa County Planning Department, Martinez, California. East Contra Costa County includes the following Census Tracts: 3150, 3142, 3141, 3090, 3100, 3110, 3120, 3131, 3132, 3552, 3551, 3050, 3060, 3071, 3072, 3080, 3020, 3031, 3032, 3010, 3040.

† Source: Kaiser Foundation Health Plan, Incorporated, Oakland, California. Contra Costa County—March, 1970: 100,000, March, 1975: 125,000. East Contra Costa County—1971 average: 21,900. (Not broken out prior to 1971) 1975 average: 28,400.

‡ Source: "Guide to the Health Care Field, 1976 Edition", American Hospital Association, Chicago, Illinois. Bed figures exclude: Veterans Administration Hospital, Martinez, California, Kaiser Foundation Hospitals—Martinez, Richmond, and Walnut Creek.

§ Source: "Hospital Fact Book", Division of Research, California Hospital Association, Sacramento, California, October, 1976, as taken from the following primary sources: *Hospitals*, Guide Issue, American Hospital Association, Chicago, 1957-1970; *Hospital Statistics*, American Hospital Association, Chicago, 1971-1976; California State Department of Finance, Population Research Unit. Bed figures used in this analysis include: Non-federal, short-term general and other special community hospitals including: non-government not-for-profit, investor-owned, state and local government.

TABLE 14
RATE COMPARISONS

<i>Area of Service</i>	<i>Los Medanos Community Hospital District (Pittsburg)</i>	<i>Delta Memorial Hospital (Antioch)</i>	<i>John Muir Hospital (Walnut Creek)</i>	<i>Brookside Hospital District (San Pablo)</i>	<i>Mt. Diablo Hospital District (Concord)</i>
<i>Effective Date</i>	<i>9/1/76</i>	<i>7/3/76</i>	<i>1/1/77</i>	<i>1/13/77</i>	<i>9/1/76</i>
Intensive care unit	\$242	\$225	\$295	\$275	\$265
Coronary care unit	242	225	295	247.50	275
Maximum care unit/ definitive care unit	—	—	219	275	305
4-bed ward	125	123	137	130	131
2-bed ward	130	127	148	140	139
Private	135	131	148	160	144
Pediatrics	125	113	Same as adults	140	128
Nursery	77	69	85	77	90
Delivery	150	135	225	140	Same as adults
Surgical, major					
First hour	195	184	218	184	220
Next unit	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.
Rate per next unit	26.50	41	26	30	15
Recovery rate	Incl.	Incl.	Incl.	Incl.	Incl.
Surgical, minor					
First half hour	163	115	101	165 hr.	130
Next unit	Qtr.	Qtr.	Qtr.	Qtr.	Qtr.
Rate per next unit	26.50	29	13.50	30	15
Anesthetics					
First hour	28.75	25.50	13.50	35	13
Next unit	Qtr.	Half	Qtr.	Qtr.	Qtr.
Rate per next unit	4.50	7.00	4.80	5.00	3
Total licensed beds	78	53	266	209	241
1976 Admissions*	2,713	3,080	10,041	8,274	9,170
1976 Patient days*	15,371	14,818	63,728	50,550	59,135
1976 Average daily census*	42.0	40.28	174.1	138	161.57
1976 Occupancy percent*	53.8%	76%	83.5%	59.0%	72.67%
Fiscal year ending	6/30	5/31	12/31	6/30	6/30

* Does not include newborn babies.
Source: District survey.

DISTRICT FINANCIAL DATA

Although the bonds will not be debts or obligations of the district, the credit of the Los Medanos Community Hospital District will be the primary security for the bonds to the extent of its obligation under the facility lease with the corporation. Income available to the district for project-related expenses is derived from two separate sources. First, the current elected board of directors of the district has established the policy that it will set hospital rates and monitor expenses of the hospital so that the semiannual rent payments of the district beginning July 15, 1979 can be met from the operating revenues of the district. Secondly, the authorized ad valorem taxing powers of the district will be utilized, when and if necessary, to augment operating revenues as needed to meet base rental, additional rental and other expenses of the district. As a consequence, the following information sets forth the credit of the district both from a revenue bond and from a tax supported issue perspective.

Financial Feasibility Consultants

The district has retained the services of Amherst Associates Inc. to prepare a financial feasibility study of the proposed project.

Amherst Associates Inc. is a national consulting firm specializing in the health care field. The firm was formed in 1970 and presently serves clients throughout the United States from its offices in Massachusetts, Illinois, and California. Amherst Associates Inc. has had experience in the development of utilization and financial forecasts to assess financial feasibility for internal planning purposes and for the evaluation of capital projects by governmental agencies, prospective underwriters, and investors. To date the firm has served as consultants for projects costing in excess of \$500,000,000.

Financial Analysis

Amherst Associates Inc. has analyzed data relating to district hospital admissions, revenues, and expenses. The complete text of the Amherst financial feasibility study is included in Appendix B of this official statement.

The financial feasibility study included a review of the estimated revenues required to cover the estimated operating costs and semiannual base rental payments to the corporation. The analysis incorporated projections of activities based on estimates of future demand.

The revenue and expense analysis was prepared by patient service and summarized for the district totals. The study incorporated estimates of changes in ancillary service utilization per patient day and per outpatient visit and the potential effects of inflation on expenses together with related estimated increases in billing rates. The projected hospital rates are based on the assumption that the current governmental regulations will be continued in a form that will allow the hospital to make the necessary rate adjustments in the future.

Based on the various assumptions contained in the report of Amherst Associates Inc., the projection indicates that sufficient income will be generated to meet the hospital's operating expenses and semiannual rental payments to the corporation from operating revenues during the period of projection (fiscal years 1976/77 to 1981/82). No projections have been made for the period following July 1, 1982. The Amherst study states the study's assumptions, in part, on page 3, paragraph 3 excerpted below:

The forecasts and conclusions are based on a number of significant assumptions that are set forth in the following report. These assumptions have been provided by or have been reviewed with and approved by management of the district, and we believe that they are reasonable in light of present circumstances. To the extent that these assumptions are not realized, the actual results will vary accordingly. Implementation of policies and procedures to attain the assumed results is the responsibility of the district and its management. Since projections of future events are subject to uncertainty, we cannot guarantee these projections as specific results that will be achieved.

Based on the projection, net operating revenue available for annual base rental payments would provide a coverage of 1.62 during fiscal year 1979/80 (the first fiscal year base rental payments are due) and 1.73 and 1.87 for fiscal years 1980/81 and 1981/82, respectively. Based on the district's 1976/77 assessed valuation of \$274,775,945, a 50¢ tax levy would produce more than \$1,342,000 which by itself would cover the estimated annual base rental payment of \$1,060,000, 1.26 times.

Based on an assumed 5% increase per year in assessed valuation, the estimated annual rental payment of \$1,060,000 could be covered by 1.46, 1.54, and 1.62 during fiscal years 1979/80, 1980/81, and 1981/82, respectively. Table 15 shows the Amherst Associates Inc. combined operating revenue and potential tax revenue projected coverage of 3.08 in 1979/80, 3.27 in 1980/81, and 3.49 in 1981/82.

Renewal and Replacement Account and Depreciation Reserve Account of the Capital Improvement Fund

It is the policy of the current board of directors of the Los Medanos Community Hospital District to establish a renewal and replacement account and to establish a depreciation reserve account in the capital improvement fund. The purpose of said accounts in said fund is to establish sound fiscal procedures deemed important to maintain the district's credit and future financial security.

The purpose of the renewal and replacement account is to establish an account which the district can draw upon at any time for extraordinary repairs or replacements of corporation and district facilities and equipment after first satisfying the district's obligation to make semiannual rent payments to the corporation. The resolution establishing the accounts requires district's auditor, architect, and construction consultant to periodically assist the district administrators and the district board of directors in determining the required amount to be placed in the account annually for anticipated renewals and replacements during the life of the bonds.

The purpose of the depreciation reserve account is to establish a rent reserve to assure the timely payment of rent to the corporation after the principal portion of the said corporation's debt service is greater than the interest portion of the debt service. Moneys in the district's depreciation reserve account may be used first, if necessary, to pay rent to the corporation and, second, to establish a rent reserve to be drawn upon once district annual depreciation reimbursements are not adequate.

TABLE 15
LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
STATEMENT OF FORECASTED OPERATIONS
1977-1982

	1976/77	1977/78	1978/79	1979/80	1980/81	1981/82
Patient days	15,941	17,678	19,607	21,411	22,030	22,670
Percentage of occupancy	56.0	62.1	68.9	75.2	77.4	79.6
Routine services	\$2,118,681	\$2,567,178	\$3,096,023	\$ 3,766,238	\$ 4,157,125	\$ 4,583,924
Inpatient ancillary	2,146,833	2,601,290	3,158,294	3,990,504	4,384,542	4,813,889
Outpatient	1,279,585	1,532,102	1,903,468	2,431,986	2,730,733	3,056,806
Gross revenues	\$5,545,099	\$6,700,570	\$8,157,785	\$10,188,728	\$11,272,400	\$12,454,619
Deductions	(434,315)	(647,390)	(714,535)	(923,585)	(1,098,927)	(1,295,179)
Other revenue	56,211	59,584	63,159	66,948	70,955	75,223
Net revenue	\$5,166,995	\$6,112,764	\$7,506,409	\$ 9,332,091	\$10,244,428	\$11,234,663
Expenses						
Salary and wages	\$2,835,136	\$3,269,860	\$3,821,239	\$ 4,384,025	\$ 4,833,027	\$ 5,302,870
Non-salary	2,054,688	2,413,648	2,872,832	3,311,239	3,667,283	4,061,337
Subtotal	\$4,889,824	\$5,683,508	\$6,694,071	\$ 7,695,264	\$ 8,500,310	\$ 9,364,207
Income before depreciation and amortization	\$ 277,171	\$ 429,257	\$ 812,338	\$ 1,636,827	\$ 1,744,118	\$ 1,870,456
Tax Revenue*	1,342,975	1,410,000	1,480,000	1,554,000	1,631,000	1,712,000
Investment income	18,324	21,000	25,000	77,000	86,000	112,000
Cash available for rental payment	\$1,638,470	\$1,860,257	\$2,317,338	\$ 3,267,827	\$ 3,461,118	\$ 3,694,456
Rental Payment	—	—	—	\$ 1,060,000	\$ 1,060,000	\$ 1,060,000
Rental payment coverage (times)*	—	—	—	3.08	3.27	3.49

* Assumes a maximum tax levy of 50¢ per \$100 assessed valuation. Any future district board of directors may or may not levy the district's maximum tax rate of 50¢ per \$100 assessed valuation.

Source: Amherst Associates Inc., Financial Feasibility Study.

The renewal and replacement account and the depreciation reserve account can be established and maintained with surplus operating revenues, tax revenues, excess moneys reimbursed to the district (if any) from the corporation upon completion of phase II of the project, or from any other legally available district revenue source.

The aforementioned policies regarding the renewal and replacement account and the depreciation reserve account of the capital improvement fund can be changed from time to time by future boards of directors of the district.

Appendices—Financial Statements and Financial Feasibility Report

The attached Appendices A and B are integral parts of this official statement and must be read together with all of the foregoing statements. The financial

statements of the district presented in Appendix A have been included in reliance upon the report of Haskins & Sells.

The Financial Feasibility Report included in Appendix B to this official statement has been prepared by Amherst Associates Inc. and has been so included in reliance upon the expertise of such firm in assessing the operations of and forecasting the financial results of hospitals.

TABLE 16
DISTRICT FINANCIAL SUMMARY AND KEY RATIOS*

	<i>Fiscal Year Ending June 30</i>						
	1970	1971	1972	1973	1974	1975	1976
INCOME STATEMENT							
Net revenues†	\$2,446,000	\$2,683,000	\$2,702,000	\$2,695,000	\$3,281,000	\$3,834,000	\$4,473,000
Expenses	2,410,000	2,567,000	2,784,000	2,816,000	3,185,000	3,899,000	4,516,000
Income (loss)	\$ 36,000	\$ 116,000	\$ (82,000)	\$ (121,000)	\$ 96,000	\$ (65,000)	\$ (43,000)
BALANCE SHEET‡							
Current assets	\$ 949,000	\$1,026,000	\$1,059,000	\$1,059,000	\$1,450,000	1,688,000	\$1,631,000
Non-current assets	1,443,000	1,553,000	1,337,000	1,366,000	1,373,000	1,767,000	2,191,000
Total Assets	\$2,392,000	\$2,579,000	\$2,436,000	\$2,425,000	\$2,823,000	\$3,455,000	\$3,822,000
Current liabilities	\$ 210,000	\$ 264,000	\$ 394,000	\$ 344,000	\$ 333,000	\$ 464,000	\$ 602,000
Long term debt	—	—	244,000	205,000	185,000	360,000	139,000
Total Debt	\$ 210,000	\$ 264,000	\$ 638,000	\$ 549,000	\$ 518,000	\$ 824,000	\$ 741,000
Fund balances	2,182,000	2,315,000	1,798,000	1,876,000	2,305,000	2,631,000	3,081,000
Total Debt and Fund Balances	\$2,392,000	\$2,579,000	\$2,436,000	\$2,425,000	\$2,823,000	\$3,455,000	\$3,822,000
KEY RATIOS							
Current assets/current liabilities	4.52	3.89	2.69	3.08	4.35	3.64	2.71
Current liabilities/total assets (%)	8.8	10.2	16.2	14.2	11.8	13.4	15.8
Income/net revenues (%)	1.5	4.3	(3.0)	(4.5)	2.9	(1.7)	(1.0)
Net revenues/total assets (%)	102.3	104.0	110.9	111.1	116.2	111.0	117.0
Income/total assets (%)	1.5	4.5	(3.4)	(5.0)	3.3	(1.9)	(1.1)
Long-term debt/total assets (%)	0.0	0.0	10.0	8.5	6.6	10.4	3.6
Total debt/total assets (%)	8.8	10.2	26.2	22.6	18.3	23.8	19.4
Tax Revenues							
	\$ 180,000	\$ 57,000	\$ 85,000	\$ 185,000	\$ 348,000	\$ 423,000	\$ 483,000
Total Income							
	\$ 216,000	\$ 173,000	\$ 3,000	\$ 64,000	\$ 442,000	\$ 358,000	\$ 440,000

* Rounded to thousands.

† Operating and non-operating revenues net of allowances, tax revenues and contractual adjustments.

‡ For purposes of analysis, board-designated funds have been combined with operating assets (current assets are net of interfund transfers).

Source: District data, records, and reports.

TABLE 17
ANALYSIS OF NON-TAX REVENUE*

	Fiscal Year Ending June 30						
	1970	1971	1972	1973	1974	1975	1976
REVENUES							
Patient revenue†	\$2,451,000	\$2,671,000	\$2,852,000	\$2,818,000	\$3,352,000	\$4,117,000	\$4,925,000
Other operating revenue	26,000	25,000	25,000	34,000	31,000	33,000	36,000
Total Operating Revenue	\$2,477,000	\$2,696,000	\$2,877,000	\$2,852,000	\$3,383,000	\$4,150,000	\$4,961,000
REVENUE DEDUCTIONS							
Uncollectible	\$ 47,000	\$ 40,000	\$ 100,000	\$ 40,000	\$ 53,000	\$ 61,000	\$ 100,000
Contractual allowance	—	8,000	89,000	117,000	92,000	341,000	432,000
Total Deductions	\$ 47,000	\$ 48,000	\$ 189,000	\$ 157,000	\$ 145,000	\$ 402,000	\$ 532,000
Net Operating Revenue	\$2,430,000	\$2,648,000	\$2,688,000	\$2,695,000	\$3,238,000	\$3,748,000	\$4,430,000
Non-Operating Revenue	16,000	35,000	14,000	— ‡	43,000	86,000	43,000
Total Hospital Revenue	\$2,446,000	\$2,683,000	\$2,702,000	\$2,695,000	\$3,281,000	\$3,834,000	\$4,473,000

* Rounded to thousands.

† Includes other operating revenue.

‡ Financial statements do not specify non-operating revenue for fiscal year 1973.

Source: District data, records, and reports.

TABLE 18
ANALYSIS OF DISTRICT PROFIT AND LOSS*

	Fiscal Year Ending June 30						
	1970	1971	1972	1973	1974	1975	1976
Net patient revenue†	\$2,404,000	\$2,623,000	\$2,663,000	\$2,661,000	\$3,207,000	\$3,715,000	\$4,394,000
Other operating revenue	26,000	25,000	25,000	34,000	31,000	33,000	36,000
Total Operating Revenue	\$2,430,000	\$2,648,000	\$2,688,000	\$2,695,000	\$3,238,000	\$3,748,000	\$4,430,000
OPERATING EXPENSES							
Direct services	\$1,492,000	\$1,599,000	\$1,781,000	\$1,737,000	\$2,023,000	\$2,452,000	\$2,845,000
Administration	590,000	617,000	635,000	715,000	791,000	1,036,000	1,242,000
Other	273,000	283,000	284,000	283,000	291,000	286,000	299,000
Total Operating Expenses	\$2,355,000	\$2,499,000	\$2,700,000	\$2,735,000	\$3,105,000	\$3,774,000	\$4,386,000
Operating income before interest and depreciation	\$ 75,000	\$ 149,000	\$ (12,000)	\$ (40,000)	\$ 133,000	\$ (26,000)	\$ 44,000
Interest	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Depreciation	53,000	68,000	84,000	81,000	80,000	125,000	130,000
Total Interest and Depreciation	\$ 53,000	\$ 68,000	\$ 84,000	\$ 81,000	\$ 80,000	\$ 125,000	\$ 130,000
Operating Income	\$ 20,000	\$ 81,000	\$ (96,000)	\$ (121,000)	\$ 53,000	\$ (151,000)	\$ (86,000)
Non-Operating Income	16,000	35,000	14,000	—	43,000	86,000	43,000
Income (loss)—Before Tax Revenues	\$ 36,000	\$ 116,000	\$ (82,000)	\$ (121,000)	\$ 96,000	\$ (65,000)	\$ (43,000)

* Rounded to thousands.

† Includes all operating revenue net of allowances, contractual adjustments and other operating revenue.

Source: District data, records, and reports.

TABLE 19
DISTRICT OPERATING BUDGET SUMMARY*

	Actual 1975/76	Budget 1976/77
Gross patient revenue	\$4,925,191	\$6,047,700
Other revenue before tax revenues	48,770	56,211
Total Revenue	\$4,973,961	\$6,103,911
Revenue reductions	531,765	698,314
Net Revenue	\$4,442,196	\$5,405,597
Operating Expenses		
Salaries	\$2,202,724	\$2,494,271
Wage related expense	331,653	448,266
Other expenses	1,982,023	2,203,468
Total Operating Expense	\$4,516,400	\$5,146,005
Operating Margin	\$ (74,204)	\$ 259,592†

* In addition to gross patient revenue, the district will cause to be levied ad valorem taxes upon all property in the district for payment of tax anticipation notes and interest thereon, to finance various initial steps in the construction of a new hospital. The district fiscal year 1976/77 ad valorem tax receipts are anticipated to total \$1,342,975.

† The district 1976/77 budget showed an operating margin of \$259,592. The district operating margin for the six-month period ending December 31, 1976 was \$2,339. Amherst Associates Inc. has adjusted its estimate of the district 1976/77 full year operating margin to \$129,000 on the basis of the district's operations during the first five months of the fiscal year 1976/77. During this period, the district implemented certain cost reduction measures, including a decrease in the number of hospital employees. As of the date of this official statement, the district is unable to predict what its exact 1976/77 operating margin will be.

Source: District fiscal year 1976/77 approved budget and actual operating results for 1975/76.

Assessed Valuations

The district's assessed valuation is established by the Contra Costa County Assessor's office, except that the assessed valuation of utility property is established by the State Board of Equalization. According to the State Board of Equalization, the 1976/77 Contra Costa County assessed valuation averages approximately 22.8% of full value. The valuation of utility

property is established at approximately 25% of full value.

Table 20 shows a summary of the district assessed valuation since 1969/70. Table 21 presents a detailed summary of the district assessed valuation since 1972/73.

The district's assessed valuation has increased 84% from \$149.3 million during fiscal year 1969/70 to \$274.7 million during 1976/77. The fiscal year

1976/77 assessed valuation increase over 1975/76 was 14%. During the last five years, the assessed valuation increase over the prior year averaged 14.8%.

District assessed valuation per capita is \$7,850, which is high when compared with per capita figures for most California municipalities.

TABLE 20
LOS MEDANOS COMMUNITY
HOSPITAL DISTRICT
ASSESSED VALUATION

Fiscal Year	Assessed Valuation*
1969/70	\$149,328,280
1970/71	155,541,135
1971/72	160,762,116
1972/73	166,137,125
1973/74	175,561,847
1974/75	204,625,952
1975/76	240,961,788
1976/77	274,775,945
1977/78†	288,500,000
1978/79†	302,900,000
1979/80†	318,000,000
1980/81†	333,900,000
1981/82†	350,600,000

* The assessed valuations for fiscal years 1972/73 through 1976/77 have been adjusted to reflect the Pittsburg Redevelopment Agency's tax increment.

† Projections were based on an assumed 5% per year assessed valuation increase. During the last five years (1972/73 through 1976/77) assessed valuation increases in the district averaged 14.8%.

Source: For years 1969/70 to 1976/77 Auditor-Controller of the County of Contra Costa.

TABLE 21
DETAILED DISTRICT ASSESSED VALUATION

	1972/73	1973/74	1974/75	1975/76	1976/77
Local secured	\$ 99,715,483	\$100,875,087	\$121,789,390	\$140,490,284	\$156,507,561
Utility	51,239,310	50,896,920	58,341,600	69,455,470	81,545,530
Unsecured	6,274,548	6,035,449	6,417,471	7,625,355	8,777,365
Business inventory exemptions	5,925,356	8,428,458	7,652,461	11,760,692	15,684,319
Homeowners' exemptions	3,250,390	9,862,935	11,104,935	12,205,455	12,721,930
Redevelopment agency increment	(267,962)	(537,002)	(679,905)	(575,468)	(460,760)
Total*	\$166,137,125	\$175,561,847	\$204,625,952	\$240,961,788	\$274,775,945

* Total assessed valuation for revenue purposes.

Source: Auditor-Controller of the County of Contra Costa.

Tax Levies and Delinquencies

Table 23 presents a five-year history of the district secured tax levy and the amount and percent of taxes delinquent on June 30 of each year. Since 1950, Contra Costa County has operated under the provisions of the Revenue and Taxation Code, Sections 4701-4717, by which public taxing agencies in the county may receive their total secured tax levies regardless of actual payments and delinquencies. The county establishes a delinquency reserve and assumes responsibility for all secured delinquencies. Because of this method of tax collection, the district is presently assured of 100% collection of its annual tax levy. Although there is no indication the county will do so, the county has the authority to discontinue this procedure upon adoption of a resolution of the County Board of Supervisors.

Tax Rates

Table 22 shows a five-year history of the district tax rate. The authorized district ad valorem tax rate is 50¢ per \$100 assessed valuation, an increase of 30¢ over the 20¢ per \$100 assessed valuation maximum tax rate in effect prior to the March 2, 1976 tax rate increase election.

TABLE 22
DISTRICT TAX RATE

<i>Fiscal Year</i>	<i>Tax Rate Per \$100 Assessed Valuation</i>
1972/73	11.4¢
1973/74	20¢
1974/75	20¢
1975/76	20¢
1976/77	50¢

Source: District records.

The district plans to levy taxes during fiscal year 1977/78 and 1978/79 to raise money for types II and III equipment purchases, to cover all moving expenses and to meet any other additional project-related costs.

All ad valorem taxes levied on property in the district are due at the same

time as and are based on the same rolls as county taxes. Ad valorem taxes on secured and utility property are payable on November 1 and February 1 of each fiscal year and become delinquent on December 10 and April 10, respectively. Taxes on unsecured property are due on March 1.

Table 24 shows the total 1976/77 tax rates for the largest incorporated code area in the district (7013; 1976/77 assessed valuation: \$61,823,438) and for the district's largest unincorporated code area (86006; 1976/77 assessed valuation: \$166,364,707).

TABLE 23
LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
TAX LEVIES AND DELINQUENCIES*

<i>Fiscal Year</i>	<i>District Ad Valorem Tax Rate</i>	<i>Total Secured Tax Levy</i>	<i>Delinquent June 30</i>	
			<i>Amount</i>	<i>Percent</i>
1972/73	\$0.114	\$ 172,299	\$1,500	0.87%
1973/74	0.200	305,026	3,273	1.07
1974/75	0.200	373,900	4,459	1.19
1975/76	0.200	420,525	4,166	0.99
1976/77	0.500	1,190,261	—	—

* Since 1952, Contra Costa County and its political subdivisions have operated under the provisions of Sections 4701-4717 of the California Revenue and Taxation Code. Pursuant to the Code, all political subdivisions levying taxes on the county tax rolls are credited with 100% of their respective tax levies regardless of actual payments and delinquencies. Under this procedure the Los Medanos Community Hospital District is, in effect, presently guaranteed the full amount of its annual tax levy regardless of the amount actually collected within the District boundaries. Although there is no indication the county will do so, the county has the authority to discontinue use of this procedure upon adoption of a resolution of the County Board of Supervisors.

Source: Auditor-Controller of the County of Contra Costa.

TABLE 24
REPRESENTATIVE TAX RATES WITHIN THE
LOS MEDANOS COMMUNITY HOSPITAL DISTRICT

	<i>Tax Code 7013 (Incorporated)</i>	<i>Tax Code 86006 (Unincorporated)</i>
Contra Costa County	\$ 2.738	\$ 2.738
City of Pittsburg	2.435	—
Riverview Fire District	0.650	0.650
County Flood Control	0.020	0.020
County Water Agency	0.004	0.004
Mosquito Abatement District	0.017	0.017
Los Medanos Community Hospital District	0.500	0.500
County Water District	0.110	0.110
Bay Area Rapid Transit	0.478	0.478
Air Pollution Control	0.015	0.015
East Bay Regional Park District	0.219	0.219
County School Services	0.230	0.230
Pittsburg Unified School District	4.515	4.515
Community Colleges	0.720	0.720
	\$12.651	\$10.216

Source: Auditor-Controller of the County of Contra Costa.

Debt Statement

Table 25 shows a statement of the district's estimated overlapping bonded debt. The district has no general obligation debt. During August 1976, the district issued \$500,000 tax anticipation notes which will be repaid by the district on or before June 30, 1977 from district 1976/77 tax revenues. The district also has an equipment lease obligation (discussed in Appendix A, footnote 4, page 10 of the financial statements) payable in annual installments of \$65,880, with the last payment due September 1980.

TABLE 25
DISTRICT ESTIMATED OVERLAPPING BONDED DEBT*

1976 estimated population	35,000	
1976/77 assessed valuation	\$274,775,945†	
Estimated market value	\$1,173,683,940‡	

Entity	Percent Applicable§	Debt Applicable February 16, 1977
Contra Costa County and Building Authorities	8.684%	\$ 238,365§
San Francisco Bay Area Rapid Transit District	2.481	18,320,324
Contra Costa Community College Authority	8.687	223,256
Pittsburg Unified School District	100.	2,795,000
Antioch Unified School District	1.902-1.913	127,855
Mount Diablo Unified School District	4.097	741,766
Central Contra Costa County Sanitary District	0.094-0.097	5,670
Contra Costa County Water District ID No. 1 and 2	0.710-50.596	371,762
City of Pittsburg	100.	1,505,000
City of Pittsburg Parking District No. 1	100.	110,000
City of Pittsburg 1915 Act Bonds	100.	6,547,837†
Los Medanos Community Hospital District (Pittsburg Area) Hospital Building Corporation (currently offered bonds)	100.	12,600,000
Gross Direct and Overlapping Bonded Debt		\$43,586,835

Less: Contra Costa County Water District ID No. 1 (100% self-supporting)	70,716
Pittsburg Water Bonds (100% self-supporting)	312,935
Total Net Direct and Overlapping Bonded Debt	\$43,203,184

	Ratio to		
	Assessed valuation	Estimated market value	Per capita
Assessed valuation	—	—	\$7,850
Total gross overlapping debt	15.86%	3.71%	1,245
Total net overlapping debt	15.72	3.68	1,234

* Compiled by California Municipal Statistics, Inc.

† Before business inventory and homeowners' exemption.

‡ The State Board of Equalization reports that the 1976/77 Contra Costa County assessed valuation averages 22.8% of market value, with public utilities assessed at 25% of market value.

§ Excluding share of \$8,656,078 Contra Costa County lease-purchase obligations (\$751,694).

Major Taxpayers

Table 26 shows identifiable net (i.e., after exemptions) assessed valuations of fifteen of the district's largest taxpayers. Some of the large property holdings in the district may be held under various names, not all of which may have been identified and combined with the data listed.

District Employee Representation

Two organizations represent district hospital employees for purposes of collective bargaining: the Hospital and Institutional Workers' Union, Local No. 250, AFL-CIO and the California Nurses' Association (CNA). The current Local No. 250 contract was negotiated April 1, 1976 and expires on April 1, 1978. The current CNA contract was negotiated August 1, 1976 and expires August 1, 1978. Both contracts contain "no-strike" clauses which prohibit strikes by the represented employees during the period of the respective agreements. The hospital has at no time been the object of strike action by its represented employees.

District Employee Retirement Plan

The district maintains its own employee retirement plan. The district's consulting actuary, Coates, Herfurth & England, a division of Compensation & Capital Incorporated, reports the district retirement program, as of June 30, 1976, had an unfunded past service liability of \$297,157. The unfunded past service liability each year is determined from the previous year's liability by adding interest at the rate assumed and deducting the contribution made toward past service. Coates, Herfurth & England recommended on March 19, 1976 that the district should contribute \$30,436 on behalf of membership service and \$19,030 toward the past service liability (a total contribution of \$49,466). The district, which makes 100% of the retirement plan contributions, paid the \$49,466 during fiscal year 1975/76. Data relating to the 1976/77 district retirement plan was not available as of the date of this official statement. See page 10 of Appendix A of the hospital district's financial statements for further district retirement plan data. Also, see deferred compensation program data located on the same page.

TABLE 26
MAJOR DISTRICT TAXPAYERS

<i>Taxpayer</i>	<i>Net Assessed Valuation*</i>
Pacific Gas and Electric Company	\$65,100,420†
U. S. Steel Corporation	40,850,451
Dow Chemical Company	19,139,308
Signode Corporation	3,034,820
Pacific Telephone and Telegraph Company	2,439,020†
Johns-Manville Products Corporation	2,148,190
Allied Chemical Corporation	1,774,485
Standard Oil Company	1,500,441
Shell Oil Company	1,437,236
Continental Can Company	1,426,293
Triangle Conduit and Cable Company	1,332,970
Albert D. Seeno Construction Company	1,114,740
Tillie Lewis Foods, Inc.	1,108,390
Union Carbide Corporation	1,012,980
Interlake Steel Corporation	927,710

* Assessed valuations are net amounts after deductions for business inventory exemptions.

† Based on 1975/76 State Assessed Valuation Roll.

Source: Derived from a visual inspection of Assessment Roll, dated April 10, 1976, in the County Treasurer's Office of the County of Contra Costa.

REGIONAL CHARACTERISTICS AND DEMOGRAPHICS

The District

The Los Medanos Community Hospital District covers about ninety square miles in the eastern portion of Contra Costa County, one of the nine counties which collectively comprise the region known as the San Francisco Bay Area. The district is situated at the confluence of the Sacramento and San Joaquin Rivers and extends from the Suisun Bay shoreline on the north to Mount Diablo in the south. The topography in Contra Costa County ranges from rolling hills to alluvial plains with much of the southern portion of the district consisting of undeveloped grazing land. The northern boundary of the district fronts on the Sacramento-San Joaquin rivers. Climate in the area is mild with an average annual temperature of 61 degrees and an average annual rainfall of approximately 13.24 inches.

The City of Pittsburg is the main commercial and financial center for Los Medanos Community Hospital District residents. Also contained in the district are the unincorporated communities of West Pittsburg, Shore Acres, Nichols, Clyde, and El Pueblo.

The economic base of the district is primarily industrial with a concentration of medium and heavy industry along the shoreline of the Sacramento-San Joaquin rivers. Accessibility to deepwater, rail, and freeway transportation and availability of desirable land have made the northern portion of the district a natural location for industry.

Service Areas

The primary hospital service area of the Los Medanos Community Hospital District covers all of the district and the eastern portion of Contra Costa County. East of the district and in the

primary service area are the City of Antioch, the City of Brentwood, and the unincorporated communities of Oakley and Knightsen. A geographic history of patient origin and considerations of available services and geographic accessibility indicate Antioch as a primary source of patient admissions for the new hospital. The secondary service area of the district encompasses areas south and west of the district including the cities of Walnut Creek, Pleasant Hill, Concord, and Martinez with a combined 1976 population of 187,150.

Population

The population of Los Medanos Community Hospital District is approximately 35,000. The district lies totally within the County of Contra Costa. Population growth since 1960 for the district, the City of Pittsburg, and the San Francisco-Oakland standard metropolitan statistical area in which the county is included, is shown in table 27. The district's population has increased by 9% since 1970 and 6% since 1975. The major city within the district, the City of Pittsburg, with an estimated population of 25,050 for 1976, ranks sixth in population in Contra Costa County. There has been a 21% increase in the population of the City of Pittsburg since 1970.

Table 29, also included on page 29 of the financial feasibility study, shows historical and projected population for the City of Pittsburg and the City of Antioch. Although the 1980 and 1990 projections of population for the district primary service area, which includes the City of Pittsburg and the City of Antioch, may or may not be reached by 1980 or 1990, the projections reflect the Contra Costa County 1975 population survey and the Association of Bay Area Government estimates of possible development in east Contra Costa County.

Industry and Employment

With miles of shoreline accessible to ocean transport, with freight service facilities provided by three main line railroads, and with access to the excellent freeway system of northern California, the district affords a prime location for industry. In addition, the availability of desirable sites has attracted large industrial employers.

The largest employer in the district, the U.S. Steel Corporation/Pittsburg Works Plant, maintains an average of 2,000 employees. The plant is one of three steel producing-manufacturing facilities that make up the operating units of the Western Steel Division of U.S. Steel Corporation. The plant is situated on property covering over 1,000 acres and includes a 1,000-foot long deepwater dock fronting on the Sacramento-San Joaquin rivers. Facilities of the plant include a pipe-mill, sheet finishing, tin finishing, and cold reduction departments, rolling mills, nail mill, wire mill and wire rope mill. The site is served by three railroads and contains fifteen miles of track. Ocean and truck transportation facilities add to its transportation alternatives.

The United States Naval Weapons Station, employing 1,261 civilian and 112 military personnel, is located on the western edge of the district and adjacent to the City of Concord on more than 13,000 acres with operations extending from the inland area facilities to the tidal area at Port Chicago. The Naval Weapons Station receives, renovates, maintains, stores, and issues ammunition, explosives, expendable ordnance items and/or weapons, and technical ordnance material. Eight U.S. Navy ammunition ships are homeported at the naval facility with a shipboard population of 1,350. A marine force of over 300 persons is stationed at the facility to provide security.

Dow Chemical U.S.A.-Western Division Pittsburg Plant employs approximately 770 people in the manufacture of agricultural, mining, and industrial products. The plant facilities occupy approximately 18 million square feet.

TABLE 27
POPULATION GROWTH

	1960	1970	1974	1975	1976
Los Medanos Community Hospital District	32,214	32,012	n.a.	32,875	35,000
City of Pittsburg	19,062	20,651	24,500	24,200	25,050
Contra Costa County	409,030	558,389	581,800	581,500	586,900
San Francisco/Oakland SMSA	2,648,762	3,108,022	3,140,900	3,138,200	3,130,500

Source: Population Research Unit, Department of Finance, State of California.

TABLE 28
CONTRA COSTA COUNTY—POPULATION GROWTH

Cities*	1960	1970	January 1, 1974	January 1, 1975	January 1, 1976
Concord	36,000	85,164	90,400	94,300	95,500
Richmond	71,854	79,043	74,700	70,400	70,100
Walnut Creek	9,903	39,844	47,350	45,900	47,100
Antioch	17,305	28,060	31,900	33,050	33,500
Pleasant Hill	21,376	24,610	27,850	25,450	25,200
Pittsburg	19,062	20,651	24,500	24,200	25,050
El Cerrito	25,437	25,190	23,750	23,000	22,800
Lafayette	—	20,484	20,500	19,700	19,500
Martinez	9,604	16,506	18,000	18,600	19,350
San Pablo	19,687	21,461	20,800	19,550	19,050
Pinole	6,064	15,850	14,600	15,300	15,400
Moraga	—	—	—	14,200	14,750
Brentwood	2,186	2,649	3,470	3,660	3,690
Clayton	—	1,385	1,750	1,780	2,110
Hercules	310	252	120	120	120

* Arranged in order of 1976 populations.

Source: Population Research Unit, Department of Finance, State of California.

TABLE 29
DISTRICT PRIMARY SERVICE AREA POPULATION

	Historical			Projected	
	1960*	1970†	1975‡	1980§	1990§
Antioch	29,159	39,572	45,414	49,802	62,299
Pittsburg	32,214	32,012	33,795	40,938	49,566
Total	61,373	71,584	79,209	90,740	111,865

* Source: 1960 Census.

† Source: 1970 Census.

‡ Source: Contra Costa County 1975 Population Survey.

§ Source: Association of Bay Area Governments, Series II Projections (September 1974).

Johns-Manville Products Corporation, located in Pittsburg, employs about 250 people and occupies 319,000 square feet. Major products of the plant are asphalt shingles and roofing and organic and asbestos dry felt.

Pacific Gas & Electric Company, in addition to being a major employer in the district, is the district's largest taxpayer. The plant, which covers approximately 125,534 square feet, is located on 1,533 acres and employs approximately 190 people. The facility is one of Pacific Gas & Electric Company's larger fossil fuel electric energy generating plants.

Table 30 shows other major employers within the district and provides a description of their products and services.

Contra Costa County's diversified employment base provides additional employment opportunities for district residents. Numerous district residents also work in the San Francisco-Oakland area, which is accessible by freeway and by BART. Table 31 reflects nonagricultural employment figures for the years 1971 through 1975 and for November of 1976 (the latest figures available). The San Francisco-Oakland metropolitan area seasonally adjusted November 1976 unemployment rate of 11.0% was down from 11.9% in November of 1975. As of November 1976, the total labor force in the City of Pittsburg numbered 8,462 with total employed at 6,747 and 1,715 unemployed. The 20.3% unemployment rate reflects concentrated unemployment primarily among residents of the northern portion of the City of Pittsburg and the unincorporated communities of West Pittsburg and El Pueblo. The Amherst Associates Inc. feasibility report, Appendix B, discusses economic characteristics on pages 29 through 30.

TABLE 30
MAJOR DISTRICT EMPLOYERS

<i>Firm</i>	<i>Product or Service</i>	<i>Employees</i>
U. S. Steel Corporation (Pittsburg Works)	Steel manufacturing	2,000
U. S. Naval Weapons Station	Ammunitions storage and issuance	1,373
Dow Chemical U. S. A. (Western Division — Pittsburg Plant)	Agricultural chemicals, mining chemicals, latex and chlorine	770
Johns-Manville Products Corporation	Roofing products	250
Pacific Gas and Electric Company (Power Plant)	Electric energy	190
Continental Can Company, Inc. (Metal Plant Division)	Metal containers	175
Allied Chemical Corporation (Industrial Chemical Division)	Fine chemicals, heavy chemicals and Orchard brand insecticides	131
Signode Corporation	Steel strapping and processing and packaging nails for gun nailers	110
Continental Can Company, Inc. (Fibre Drum Division)	Fibre drums	81
The Dexter Corporation (Hysol Division)	Paste and film adhesives	56
Shell Oil and Shell Oil Chemical Company (Pittsburg Plant)	Pelleted catalysts for manufacture of chemicals	42

Source: Bank of America Survey, September 1976.

TABLE 31
LABOR MARKET SURVEY
SAN FRANCISCO-OAKLAND METROPOLITAN AREA
(Alameda, Contra Costa, Marin, San Francisco and San Mateo Counties)

	1971	1972	1973	1974	1975
Mineral extraction	1,900	1,600	1,600	1,700	1,600
Contract construction	60,200	60,900	63,900	64,300	59,300
Manufacturing	188,700	185,900	193,900	196,200	187,900
Transportation and utilities	128,000	125,700	125,600	125,700	122,200
Wholesale and retail trade	264,800	272,000	283,300	289,200	288,800
Finance, insurance and real estate	96,900	101,000	106,100	110,200	111,800
Services	222,500	233,200	251,200	260,500	264,900
Government*	272,200	274,800	276,900	276,300	286,300
Total	1,235,200	1,255,100	1,302,500	1,324,100	1,322,800

* Includes all civilian employees of federal, state, and local government regardless of the activity in which the employee is engaged.
Source: California Employment Development Department.

TABLE 32
SUMMARY OF AGRICULTURAL PRODUCTION IN CONTRA COSTA COUNTY*

	1971	1972	1973	1974	1975
Field crops	\$ 5,004,800	\$ 5,036,400	\$ 6,815,800	\$11,724,800	\$11,729,000
Vegetable and seed crops	10,596,610	5,335,510	6,354,150	12,701,200	11,041,600
Fruit and nut crops	5,606,200	5,504,000	7,407,500	5,988,400	5,775,300
Nursery products	1,136,100	1,873,000	3,435,000	5,436,000	6,994,200
Nursery cut flowers	2,228,000	2,453,000	2,222,000	2,560,000	2,225,600
Livestock and poultry	7,818,180	9,737,950	12,473,930	12,730,550	8,744,070
Livestock and poultry products	2,062,300	2,109,400	2,231,800	3,242,400	3,279,080
Apiary products	11,845	12,306	13,806	12,564	16,200
Total	\$34,464,035	\$32,061,566	\$40,953,986	\$54,395,914	\$49,805,050

* Most Contra Costa County agricultural land is located east of the district in the area considered to be part of the district service area.
Source: Contra Costa County Agricultural Crop Report.

Construction

The City of Pittsburg is traversed by State Highway 4. South of Highway 4, the community has experienced significant commercial and residential growth. This area includes new residential tracts and accounts for the majority of recent and projected future residential growth. As a consequence of the movement of population and business south of the freeway, the old downtown portion of Pittsburg has shown visible decline while businesses south of the freeway appear to be prosperous. Approximately half of the old downtown Pittsburg retail stores are vacant while virtually no business vacancies exist in the expanding newer commercial area south of the freeway.

Building activity in the Pittsburg area is dominated by single family residential construction. Table 33 shows construction valuations for the City of Pittsburg for 1970 through 1976. Valuations for 1976 totaled \$13,017,001, with 90% of this figure as single family residential construction. As shown in the City of Pittsburg construction valuation table, there has been a 28% increase in residential construction since 1970. Table 34 shows construction valuations for incorporated areas within Contra Costa County.

A major builder in the district area, the Albert D. Seeno Construction Company, has three subdivisions currently under development in Pittsburg. The status of each of the subdivisions is shown in table 35.

Albert D. Seeno Construction Company has recently completed its Country Club subdivision (190 houses) and its Highlands subdivision (80 houses).

Another large housing subdivision in Pittsburg, Sea Horse Ranch developed by Kaufman and Broad, includes 780 completed homes and 40 which are now in the framing stage. An additional 75 homes are planned for completion this year. Two more years of construction at Sea Horse Ranch are projected after the end of this year leading to a final total of 1,080 homes in the subdivision.

In the northern portion of the City of Pittsburg and unincorporated West Pittsburg, a concentrated effort is underway to implement programs to improve residential housing. The latest San Francisco-Oakland Area Postal Vacancy Survey by the Department of Housing and Urban Development, dated June 20, 1975, shows an overall housing vacancy rate of 4.2 percent for the City of Pittsburg, with the vast majority of the vacancies occurring in the older northern portion of the city. The city's general plan, adopted in 1972, provides objectives for replacement of substandard housing, provisions of housing for the elderly and low income groups, and revitalization of the old downtown area.

The City of Pittsburg Marina Expansion Project, funded by a \$2.8 million grant from the State of California (Department of Navigation and Ocean Development), is a major project currently underway constituting a step in the revitalization of the old downtown area. The first phase, site preparation, has been completed at a cost of \$1.7 million; the second phase will be financed with the remaining \$1.1 million. Completion of the project, which will result in an additional 300 pleasure boat berthing spaces for a total of 590 spaces, is expected by June of 1978. The marina, located adjacent to the old downtown area at the end of the city's main street, offers free launching facilities and free parking. It is currently planned that the completed marina project will include restaurants, a coffee shop, and Harbor Master's shop.

The City Redevelopment Agency has acquired land in the older section of Pittsburg, has demolished older structures, has cleared land and has relocated people in an effort to revitalize the older portion of downtown Pittsburg. To date, \$7,772,987 has been spent on the aforementioned downtown redevelopment projects.

TABLE 33
CITY OF PITTSBURG — NEW CONSTRUCTION VALUATIONS

	1971*	1972*	1973*	1974*	1975*	1976†
Single residential	\$5,040,000	\$16,303,000	\$4,647,000	\$6,142,000	\$7,686,000	\$11,711,190
Multi-family	3,410,000	4,339,000	59,000	182,000	—	—
Other residential	405,000	446,000	528,000	442,000	234,000	587,291
Residential Totals	\$8,855,000	\$21,088,000	\$5,234,000	\$6,766,000	\$7,920,000	\$12,298,481
Commercial	\$ 237,000	\$ 441,000	\$ 884,000	\$1,465,000	\$ 276,000	\$ 358,173
Industrial	160,000	6,000	543,000	882,000	449,000	263,585
Other commercial and industrial	211,000	1,195,000	1,195,000	418,000	137,000	96,762
Commercial and Industrial Totals	\$ 608,000	\$ 1,642,000	\$2,622,000	\$2,765,000	\$ 862,000	\$ 718,520
Total Valuations	\$9,463,000	\$22,730,000	\$7,856,000	\$9,531,000	\$8,782,000	\$13,017,001

* Source: *California Construction Trends*, Security Pacific Bank.

† Source: City of Pittsburg, California, Community Planning Department.

TABLE 34
CITIES AND UNINCORPORATED AREAS OF CONTRA COSTA COUNTY
NEW CONSTRUCTION VALUATIONS

Cities*	1970	1971	1972	1973	1974	1975
Concord	\$ 38,973,000	\$ 36,496,000	\$ 36,684,000	\$ 48,137,000	\$ 49,866,000	\$ 33,913,000
Richmond	9,683,000	13,212,000	8,908,000	19,073,000	13,863,000	32,747,000
Antioch	7,692,000	17,359,000	14,912,000	14,148,000	7,801,000	21,765,000
Walnut Creek	20,334,000	43,948,000	41,244,000	29,208,000	36,151,000	17,681,000
San Pablo	2,386,000	4,145,000	5,743,000	1,577,000	2,403,000	11,510,000
Pittsburg	4,839,000	9,463,000	22,730,000	7,856,000	9,531,000	8,782,000
Martinez	4,626,000	9,164,000	13,766,000	5,519,000	5,384,000	8,602,000
Pinole	1,810,000	7,216,000	13,860,000	5,700,000	1,084,000	6,669,000
Lafayette	2,711,000	6,390,000	4,366,000	4,786,000	4,871,000	5,768,000
Pleasant Hill	4,249,000	20,080,000	10,109,000	9,109,000	4,611,000	5,740,000
Clayton	315,000	254,000	193,000	1,227,000	4,328,000	5,581,000
El Cerrito	2,533,000	3,622,000	5,456,000	3,641,000	3,426,000	3,600,000
Moraga	—	—	—	—	160,000	1,635,000
Brentwood	551,000	1,689,000	2,115,000	212,000	492,000	677,000
Hercules	n. a.†	n. a.†	n. a.†	n. a.†	n. a.†	n. a.†
Unincorporated	43,091,000	71,101,000	81,388,000	99,495,000	64,436,000	70,006,000
Total	\$143,793,000	\$244,139,000	\$261,474,000	\$249,688,000	\$208,407,000	\$234,676,000

* Arranged in order of 1975 valuations and rounded to thousands.

† Data not yet developed for jurisdiction.

Source: *California Construction Trends*, Security Pacific Bank.

TABLE 35
RECENT ALBERT D. SEENO RESIDENTIAL CONSTRUCTION

1. Hillsdale	103 houses — 90% completed and 90% sold
2. Woodland Hills, No. 1	60 houses — All completed and all sold
No. 2	100 houses — All completed and all sold
No. 3	107 houses — All completed and all sold
No. 4	87 houses — Construction is just beginning
3. Oak Creek	120 houses — Construction is just beginning

Commercial Activity

Commercial activity in the area is reflected in table 36 which lists taxable transactions data for the cities of Pittsburg and Antioch from 1970 to 1975. In the City of Pittsburg, the volume of taxable sales for all outlets increased by 56% from 1970 to 1975 while the number of sales outlets decreased from 347 to 338. In Contra Costa County, a 94% increase in total taxable transactions was recorded for the 1970-1975 period, with sales outlets increasing by 24%.

Three shopping centers are located in Pittsburg: The Town Center, with twelve businesses, and Lido Square and Shopping Heights which house half a dozen businesses each. Neighboring Antioch is the location of three shopping centers including the East Contra Costa Mall which contains 50 businesses.

The Los Medanos Industrial Center contains seven new warehouses, eighteen World War II military warehouses converted to private uses, and four new business structures.

The City of Pittsburg is served by five banks including branches of the United California Bank, Bank of America, Crocker National Bank, Wells Fargo Bank, and Delta Pacific Bank. Two savings and loans institutions, Home Savings and Loan Association and Imperial Savings and Loan Association, are within the district.

The City of Pittsburg has an economic history of involvement from coal mining and shipping operations and fishing to industrialization. During World War II the United States Government established Camp Stoneman in Pittsburg as a major point of embarkation and debarkation for the Pacific Theater of War. The resulting increase in population and economic stimulation changed the character of the community dramatically. The closing of Camp Stoneman after the Korean conflict and the loss of related jobs caused a downturn in the city's retail economy.

A 6% City of Pittsburg population increase from 1975 to 1976 and over \$12 million in residential new construction valuations during 1976 tend to indicate that the city and district have realized significant recent growth. Population projections discussed in the "Population" section, if the projections are realized, also indicate the east Contra Costa County population served by the district is forecasted to increase.

TABLE 36
TAXABLE TRANSACTIONS AND SALES PERMITS

	City of Pittsburg				City of Antioch			
	1970		1975		1970		1975	
	Permits	Taxable Sales	Permits	Taxable Sales	Permits	Taxable Sales	Permits	Taxable Sales
Retail stores								
Apparel stores	9	\$ 1,535,000	4	\$ 775,000	22	\$ 2,346,000	24	\$ 3,267,000
General merchandise	8	1,611,000	7	864,000	11	9,448,000	12	23,530,000
Drug stores	5	1,868,000	5	2,302,000	8	1,230,000	8	4,215,000
Food stores	35	2,861,000	33	4,022,000	25	4,620,000	32	8,951,000
Packaged liquor stores	6	828,000	6	1,408,000	7	1,182,000	7	1,633,000
Eating and drinking places	49	2,077,000	34	3,169,000	55	3,799,000	69	8,312,000
Home furnishings and appliances	12	1,889,000	13	1,776,000	8	1,238,000	19	2,888,000
Building materials and farm implements	7	1,101,000	8	4,149,000	7	1,137,000	8	1,993,000
Auto dealers and auto supplies	10	5,554,000	12	7,673,000	20	11,794,000	25	20,078,000
Service stations	25	365,000	20	4,006,000	31	681,000	31	8,321,000
Other retail stores	20	735,000	23	1,765,000	31	2,089,000	51	4,722,000
Total retail stores	186	20,424,000	165	31,909,000	225	39,564,000	286	87,910,000
All other outlets	161	2,100,000	173	3,305,000	175	3,580,000	244	6,863,000
Total all outlets	347	\$22,524,000	338	\$35,214,000	400	\$43,144,000	530	\$94,773,000

Transportation

The Los Medanos Community Hospital District is traversed by California State Highway 4. State highways 4 and 24 connect the San Francisco-Oakland area with the district.

Rail service is provided by main line tracks of Southern Pacific and Santa Fe railroads and Western Pacific's Sacramento Northern Railroad.

Water transportation to coastal and international ports is provided via the deepwater channel which extends to San Francisco Bay, to the Port of Sacramento and to the Port of Stockton. Pittsburg Diablo Service Corporation operates a commercial berthing facility which covers fourteen acres and includes 800 feet of berthing space with a berthing depth of 35 feet. Private industries also provide docking facilities along the Sacramento-San Joaquin rivers for other seagoing vessels.

Oakland International Airport, 52 driving miles west of Pittsburg, and San Francisco International Airport, 56 driving miles west of Pittsburg, provide passenger and freight service. Buchanan Field, a county owned and operated airport located in Concord, nine miles southwest of Pittsburg, offers charter and airfreight service. It is the sixteenth busiest airport in the nation in aircraft movement (take-offs and landings). Commuter service is provided at Buchanan Field by STOL (short take-off and landing), with flights daily between Concord, San Francisco and points in Marin County.

Greyhound Bus pickup service is available to residents of the district while Alameda-Contra Costa County (A.C.) Transit runs feeder-bus service between Pittsburg and the Bay Area Rapid Transit (BART) station in Concord.

Hydrology and Seismic Setting

The new hospital will be constructed at an elevation of eighty (80) feet on land which gently slopes to the north toward the Sacramento-San Joaquin rivers. The entire California central valley dam and levee system has been designed to protect the Sacramento and San Joaquin valleys, including the Pittsburg-Antioch area, from flooding. Storm sewers adequate for the development of the hospital property were installed in 1964.

Under California law, all hospital structures must be designed to remain "functional" both during and after an earthquake. The project plans and specifications, including geologic/seismic elements, have been approved by all appropriate California state agencies.

The Hospital Environmental Impact Report, prepared by Earth Metrics Incorporated, reports that the Pittsburg area is generally considered to be in an area of moderate severity, subject to moderate probable structural damage from earthquake. The estimated maximum credible earthquake magnitude of the nearest fault, the Antioch/Davis Fault, is estimated at six. The hospital is reported to be over one mile from the Antioch/Davis Fault which is reported to have shown movement in 1872 and 1889. The Environmental Impact Report states that "no possibility of ground rupture exists (at the project site) as no fault runs through or extremely near the property".

Community Services

Police protection is provided to district residents by the Pittsburg Police Department. The Riverview Fire District provides fire protection with six stations located throughout the Pittsburg-Antioch area. In addition to the six engine companies, the fire district maintains one truck company and three reserve engine companies.

District residents are provided telephone service by Pacific Telephone Company, electricity and natural gas by Pacific Gas & Electric Company, and water and sewer services by the City of Pittsburg.

The Pittsburg Civic Center houses the City Administration Building, City Hall, the Pittsburg Unified School District Administration Building, the Chamber of Commerce, the Vincent G. Davis Memorial Library (a part of the Contra Costa County Library system), the Pittsburg Police Department, and an extension of county government, including the Judicial District Court.

Over twenty denominations are represented by the 31 churches in the City of Pittsburg.

The city's five-day daily newspaper is the Post Dispatch, established in 1900. The area is also served by a weekly newspaper, the Pittsburg Press. Pittsburg residents are within broadcasting range of San Francisco, Oakland, and Sacramento and have access to cable television.

Educational Facilities

The Pittsburg Unified School District serves district residents at six elementary schools, two junior high schools and one high school. The school district also offers adult evening classes. In addition, a parochial school affords elementary instruction, and the County of Contra Costa maintains a school for trainable mentally retarded. Enrollment figures as of December 17, 1976 were: elementary schools, 3,003; junior high school, 1,388; and Pittsburg High School, 1,669, for a total of 6,060. These figures have increased over the December 19, 1975 figures of 2,919, 1,381, 1,662, and 5,962, respectively. Serving the West Pittsburg area of the district, the Mt.

Diablo Unified School District has three elementary schools and one intermediate school.

The Federal Economic Development Administration has announced that the Pittsburg Unified School District will receive a \$4.1 million grant to construct an elementary school and other school facilities. The new elementary school will be designed for approximately 700 students and 50-60 students in a county special program.

The Los Medanos College, located in Pittsburg, is a unit of the Contra Costa Community College District. This two-year college, which offers an associate of arts degree, was opened in 1974 and employs 80 full-time and 200 part-time instructors. Enrollment at the college for fall 1976, the latest date for which figures are available, was 5,088.

Accessible also to district residents are the many public and private institutions of higher education located in the San Francisco Bay Area.



The Los Medanos College, located near the new hospital site, was opened in 1974 and is a unit of the Contra Costa Community College District.

Cultural and Recreational Facilities

A temperate climate and proximity to the extensive California Delta waterways, as well as accessibility to the numerous scenic and recreational attractions in and around the Bay Area, afford an extensive variety of outdoor recreational opportunities to district residents. Spectator sports available to residents within the Bay Area include about every major professional sport and a wide range of intercollegiate sports.

Locally, the City of Pittsburg offers ten parks, 11 playgrounds, a rifle range, two municipal gyms, an olympic-sized swimming pool at the high school, two public swimming pools currently under construction, and tennis courts located at the various schools in addition to the two city tennis courts. The city maintains a nine-hole golf course with clubhouse facilities and pro shop.

The new Riverview Park in Pittsburg covers five acres and already contains turf and trees, children's play areas, barbeque facilities, pier, beach and swimming facilities.

The Department of Leisure Services in the city conducts a year round program of recreational activities for all ages.

The Ambrose Park and Recreation District serves the West Pittsburg area. Ambrose Park and Recreation District facilities include a varied recreation program, a swimming pool center, baseball diamonds, playgrounds, tennis courts and picnicking facilities.

District residents can enjoy the many Bay Area art museums, theater productions, and symphony orchestras. The numerous music and drama productions in the cities of San Francisco and Oakland are supplemented by those at the colleges and universities in the area.

In the City of Pittsburg, the Creative Arts Building, property of the Pittsburg Unified School District, is the home of the Contra Costa Concert Guild. The main theater has a seating capacity of 2,000 and is supplemented by a smaller theater seating 250.

The Concord Pavillion, financed by a \$3.9 million bond issue and further funded by federal revenue sharing, is located at the edge of the district on a 122-acre site. This outdoor amphitheater is structurally unique in the western United States, offering seating for over 8,500 with lawn seating capacity of about 5,000 and 3,500 seats under cover. Although the Pavillion is just entering its third season this year, it has become well known in the Bay Area for the Concord Summer Jazz Festival which has drawn some of the most renowned jazz musicians in the world. In addition, the San Francisco and Oakland Symphony Orchestras perform a series of special concerts at the Pavillion. The Pavillion produces many of its own events while the remainder are promoted. The gamut of entertainment offered at the Pavillion ranges from classical and symphonic music, dance, and theater, to community-oriented programs. The Pavillion expects to offer between 85 and 90 events in its April to October 1977 season.

In December 1976, the Pavillion received a \$2.1 million Federal Works Project grant. Grant funds will be used to improve access to and from the theater, to provide 2,000 paved parking spaces to supplement the present 1,000 grass spaces, and to construct new restroom facilities in the seating area, pedestrian walkways, a new box office, picnic areas, and a small lake. There will be major landscaping throughout. Construction of some of the more crucial facilities is expected to be completed by the end of March when the season opens with the rest of the work scheduled for completion within a year. Eighty new employees will be hired for the construction project.

The Pavillion has just received an award for an outstanding recreational facility given annually by the California Parks & Recreation Society.

APPENDIX A

**ACCOUNTANTS' REPORT
AND
DISTRICT FINANCIAL STATEMENTS**

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

2150 VALDEZ STREET

OAKLAND, CALIFORNIA 94612

ACCOUNTANTS' REPORT

The Board of Directors,
Los Medanos Community Hospital District:

We have examined the balance sheet of Los Medanos Community Hospital District as of June 30, 1976, 1975, and 1974, and the related statements of revenue and expense, changes in fund balances, and changes in financial position of unrestricted funds for each of the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

As discussed in Note 2 to the financial statements, cost reimbursements received under Medicare and Medi-Cal programs are subject to adjustment upon review by the governmental agencies concerned. The amounts of such adjustments, if any, are not presently determinable.

In our opinion, subject to the effect of any adjustments arising from Medicare and Medi-Cal programs as explained in the preceding paragraph, the accompanying financial statements present fairly the financial position of the Hospital District at June 30, 1976, 1975, and 1974 and the results of its operations, changes in its fund balances, and changes in financial position of its unrestricted funds for each of the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

September 10, 1976

Haskins & Sells

HASKINS & SELLS

CERTIFIED PUBLIC ACCOUNTANTS

2150 VALDEZ STREET
OAKLAND, CALIFORNIA 94612

January 14, 1977

The Board of Directors,
Los Medanos Community Hospital District:

We have made a limited review, in accordance with standards established by the American Institute of Certified Public Accountants, of the unaudited balance sheet of Los Medanos Community Hospital District as of December 31, 1976 and 1975 and the related unaudited statements of revenue and expense, changes in fund balances, and changes in financial position of unrestricted funds for each of the six-month periods then ended. Since we did not make an audit, we express no opinion on the financial statements referred to above.

Haskins & Sells

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT

BALANCE SHEET

-- A S S E T S --	DECEMBER 31, 1976 (UNAUDITED)	DECEMBER 31, 1975 (UNAUDITED)	JUNE 30, 1976	JUNE 30, 1975	JUNE 30, 1974
<u>UNRESTRICTED FUNDS</u>					
CURRENT ASSETS:					
Cash.....	\$ 361,985	\$ 73,376	\$ 82,650	\$ 51,627	\$ 153,182
Receivables.....	985,736	791,615	886,608	695,549	634,767
Estimated settlement of cost reimbursements under Medicare and Medi-Cal programs.....	134,148	(12,105)	113,753	613	131,981
Inventories.....	126,019	119,559	131,874	116,256	101,512
Prepaid expenses.....	44,276	22,934	9,103	17,577	21,781
Due from restricted funds.....	93,199	42,504	41,408	50,585	19,262
Total.....	1,745,363	1,037,883	1,265,396	932,207	1,062,485
BOARD-DESIGNATED FUNDS:					
Interest-bearing deposits.....	1,000,643	700,000	400,000	800,000	400,000
Other.....	7,306	8,435	7,208	6,913	6,133
Total.....	1,007,949	708,435	407,208	806,913	406,133
PROPERTY, PLANT, AND EQUIPMENT:					
Land and land improvements.....	524,715	518,648	522,515	476,798	435,231
Buildings.....	975,871	971,657	973,026	970,295	961,616
Equipment.....	1,136,711	1,103,092	1,116,426	1,080,454	748,632
Total.....	2,637,297	2,593,397	2,611,967	2,527,547	2,145,479
Accumulated depreciation.....	1,148,856	1,018,859	1,083,858	953,859	833,253
Net.....	1,488,441	1,574,538	1,528,109	1,573,688	1,312,226
DEFERRED ARCHITECT AND CONSULTING FEES.....	1,112,088	268,429	662,640	193,439	61,256
TOTAL.....	\$5,353,841	\$3,589,285	\$3,863,353	\$3,506,247	\$2,842,100
<u>RESTRICTED FUNDS</u>					
SPECIFIC PURPOSE FUNDS:					
Cash.....	\$ 44,396	\$ 12,145	\$ 98,359	\$ 47,810	\$ 12,667
Grant funds receivable.....	80,200	45,296	16,657	19,183	15,200
Patient and other receivables.....	22,790	16,926	23,229		
Total current.....	147,386	74,367	138,245	66,999	37,867
Equipment.....	8,792				
Cash surrender value of annuity policies.....	374,108	252,548	325,640	227,475	108,187
TOTAL.....	\$ 530,286	\$ 326,915	\$ 463,885	\$ 294,474	\$ 146,054

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
BALANCE SHEET

	DECEMBER 31, 1976 (UNAUDITED)	DECEMBER 31, 1975 (UNAUDITED)	JUNE 30, 1976	JUNE 30, 1975	JUNE 30, 1974
-- LIABILITIES --					
<u>UNRESTRICTED FUNDS</u>					
CURRENT LIABILITIES:					
Accounts payable.....	\$ 487,900	\$ 145,433	\$ 265,950	\$ 124,499	\$ 112,201
Accrued payroll and vacations.....	219,838	184,287	269,190	252,336	187,037
Other accrued liabilities.....	25,277	31,321	11,403	13,117	14,325
Short-term notes due bank.....	500,050				
Current portion of long-term debt.....	58,075	149,732	56,498	74,129	19,398
Total.....	1,291,090	489,143	602,041	464,076	332,962
ESTIMATED LOSS ON DISPOSITION OF EQUIPMENT.....	70,000				
LONG-TERM DEBT:					
Capitalized lease obligations.....	109,575	167,536	139,097	195,595	
Note payable.....				164,627	185,285
Total.....	109,575	167,536	139,097	360,222	185,285
BOARD-DESIGNATED FUNDS - Accounts payable.....	317	374	188		
FUND BALANCES:					
Operations (invested in property, plant, and equipment for the years ended June 30: 1976, \$1,528,109; 1975, \$1,573,688; 1974, \$1,312,226. For the six months ended December 31: 1975, \$1,574,538; 1976, \$1,488,441).....	2,875,227	2,224,171	2,715,007	1,875,036	1,917,962
Board-designated funds.....	1,007,632	708,061	407,020	806,913	405,891
Total.....	3,882,859	2,932,232	3,122,027	2,681,949	2,323,853
TOTAL.....	\$5,353,841	\$3,589,285	\$3,863,353	\$3,506,247	\$2,842,100
<u>RESTRICTED FUNDS</u>					
SPECIFIC PURPOSE FUNDS:					
Due to unrestricted funds.....	\$ 93,199	\$ 42,504	\$ 41,408	\$ 50,585	\$ 19,262
Accounts payable.....	12,295	3,119	20,423	8,141	4,842
Accrued liabilities.....	750	750	1,500	1,500	650
Total current.....	106,244	46,373	63,331	60,226	24,754
Deferred compensation payable.....	374,108	252,548	325,640	227,475	108,187
Fund balances.....			74,914	6,773	13,113
TOTAL.....	\$ 480,352	\$ 298,921	\$ 463,885	\$ 294,474	\$ 146,054

See notes to financial statements.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT

STATEMENT OF REVENUE AND EXPENSE

	SIX MONTHS ENDED DECEMBER 31, 1976 (UNAUDITED)	SIX MONTHS ENDED DECEMBER 31, 1975 (UNAUDITED)	YEAR ENDED JUNE 30, 1976	YEAR ENDED JUNE 30, 1975	YEAR ENDED JUNE 30, 1974
OPERATING REVENUE:					
Patient revenue:					
Ancillary services.....	\$1,696,097	\$1,437,028	\$3,042,270	\$2,479,444	\$2,007,034
Daily patient services.....	1,029,519	891,218	1,882,921	1,637,991	1,345,258
Total.....	2,725,616	2,328,246	4,925,191	4,117,435	3,352,292
Other revenue.....	16,771	1,757	3,461	3,561	5,490
Total revenue.....	2,742,392	2,349,972	4,961,641	4,150,020	3,382,788
Deductions from revenue:					
Contractual allowances and discounts.....	248,352	250,626	431,770	341,000	92,000
Provision for uncollectible receivables.....	78,673	37,127	99,995	61,205	53,035
Operating revenue - net.....	2,415,367	2,062,219	4,429,876	3,747,815	3,237,823
OPERATING EXPENSE:					
Ancillary services.....	1,082,158	935,612	2,009,292	1,725,192	1,417,658
Daily patient services.....	464,692	387,919	836,399	726,484	606,352
Administrative services (including interest expense for the years ended June 30: 1976, \$12,421; 1975, \$11,283; 1974, nil. For the six months ended December 31: 1976, \$5,001; 1975, \$7,604).....	641,355	588,530	1,242,046	1,036,158	791,365
Housekeeping and plant operations.....	159,825	144,045	298,665	286,338	291,336
Depreciation and amortization.....	64,998	65,000	129,998	124,794	79,885
Total operating expense.....	2,413,028	2,121,106	4,516,400	3,898,966	3,186,596
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE FROM OPERATIONS.....	2,339	(58,887)	(86,524)	(151,151)	51,227
NONOPERATING REVENUE AND EXPENSE:					
Tax contributions.....	803,278	290,114	483,362	423,011	347,964
Interest.....	11,511	18,162	31,067	33,664	32,268
Contributions and bequests.....				1,450	1,190
Net income from Auxiliary operations.....	31	1,374	334	796	1,518
Tetracycline rebate and other.....	13,737		12,320	50,346	5,929
Estimated loss on disposition of equipment.....	(10,000)				
Total nonoperating revenue and expense.....	758,557	309,650	527,083	509,247	391,274
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSE.....	\$ 760,896	\$ 250,763	440,559	\$ 358,096	\$ 442,501

See notes to financial statements.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT

STATEMENT OF CHANGES IN FUND BALANCES

	SIX MONTHS ENDED DECEMBER 31, 1976 (UNAUDITED)	SIX MONTHS ENDED DECEMBER 31, 1975 (UNAUDITED)	YEAR ENDED JUNE 30, 1976	YEAR ENDED JUNE 30, 1975	YEAR ENDED JUNE 30, 1974
UNRESTRICTED FUNDS:					
Balance at beginning of period.....	\$3,122,027	\$2,681,949	\$2,681,949	\$2,323,853	\$1,881,352
Excess (deficiency) of revenue over expense					
from operations.....	2,339	(58,887)	(86,524)	(151,151)	51,227
Other nonoperating revenue.....	25,248	18,162	43,387	85,440	41,792
Tax contributions.....	803,278	290,114	483,362	423,011	347,964
Net income from Auxiliary operations.....	31	1,374	334	796	1,518
Estimated loss from disposition of equipment.....	(70,000)				
Other.....	(64)	(480)	(481)		
BALANCE AT END OF PERIOD.....	<u>\$3,882,859</u>	<u>\$2,932,232</u>	<u>\$3,122,027</u>	<u>\$2,681,949</u>	<u>\$2,323,853</u>
RESTRICTED FUNDS:					
Balance at beginning of period.....	\$ 74,914	\$ 6,773	\$ 6,773	\$ 13,113	
Restricted grants and other revenue.....	128,360	196,385	463,310	360,765	\$ 152,904
Expenses of specific purpose funds.....	(152,910)	(175,162)	(392,186)	(367,105)	(139,791)
Transfer back to funding agency.....			(2,983)		
BALANCE AT END OF PERIOD.....	<u>\$ 50,364</u>	<u>\$ 27,996</u>	<u>\$ 74,914</u>	<u>\$ 6,773</u>	<u>\$ 13,113</u>

See notes to financial statements.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT

STATEMENT OF CHANGES IN FINANCIAL POSITION OF UNRESTRICTED FUNDS

	SIX MONTHS ENDED DECEMBER 31, 1976 (UNAUDITED)	SIX MONTHS ENDED DECEMBER 31, 1975 (UNAUDITED)	YEAR ENDED JUNE 30, 1976	YEAR ENDED JUNE 30, 1975	YEAR ENDED JUNE 30, 1974
FUNDS PROVIDED BY:					
Excess (deficiency) of revenue over expense					
from operations.....	\$ 2,339	\$ (58,887)	\$ (86,524)	\$(151,151)	\$ 51,227
Depreciation and amortization.....	64,998	65,000	129,998	124,794	79,885
Funds provided by (used for)					
operations.....	67,337	6,113	43,474	(26,357)	131,112
Nonoperating revenue - primarily tax					
contributions.....	758,557	309,650	527,083	509,247	391,274
Estimated loss on disposition of					
equipment.....	70,000				
Board-designated fund assets.....		98,478	399,705		
Capitalized lease obligations.....				287,365	
Other.....				242	
TOTAL.....	\$ 895,894	\$ 414,241	\$ 970,262	\$ 770,497	\$522,386
FUNDS APPLIED TO:					
Board-designated fund assets.....	\$ 600,741			\$ 401,022	\$143,956
Deferred architect and consulting fees.....	449,448	\$ 74,990	\$ 469,201	132,183	45,060
Net additions to property, plant, and					
equipment (including capitalized interest					
for the years ended June 30: 1976, \$843;					
1975, \$12,988; 1974, \$14,175. For the					
six months ended December 31: 1976, Nil;					
1975, \$843).....	25,330	65,850	84,420	386,256	42,299
Reduction of long-term debt.....	29,522	192,686	221,125	112,428	19,413
Other.....	64	480	480		
Increase (decrease) in working capital.....	(209,211)	80,235	195,036	(261,392)	271,658
TOTAL.....	\$ 895,894	\$ 414,241	\$ 970,262	\$ 770,497	\$522,386
INCREASE (DECREASE) IN WORKING CAPITAL BY					
COMPONENT:					
Cash.....	\$ 279,335	\$ 21,749	\$ 31,023	\$(101,555)	\$ (4,973)
Receivables.....	99,128	96,066	191,059	60,782	153,608
Estimated settlement of cost reimbursements					
under Medicare and Medi-Cal programs.....	20,395	(12,718)	113,140	(131,368)	198,379
Inventories.....	(5,855)	3,303	15,618	14,744	7,490
Due from restricted funds.....	51,791	(8,081)	(9,177)	31,323	(37,072)
Prepaid expenses.....	35,173	5,357	(8,474)	(4,204)	9,810
Accounts payable.....	(222,079)	(20,934)	(141,639)	(12,298)	(34,051)
Accrued payroll and vacations.....	49,352	68,049	(16,854)	(65,299)	(19,334)
Other accrued liabilities.....	(14,824)	3,047	2,709	1,214	(1,001)
Short-term notes due bank.....	(500,050)				
Current portion of long-term debt.....	(1,577)	(75,603)	17,631	(54,731)	(1,198)
INCREASE (DECREASE) IN WORKING CAPITAL.....	\$ (209,211)	\$ 80,235	\$ 195,036	\$(261,392)	\$271,658

See notes to financial statements.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT

NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 1976, 1975, AND 1974
AND (UNAUDITED) FOR THE SIX MONTHS ENDED
DECEMBER 31, 1976 AND 1975

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial statements are presented in conformity with the recommendations of the Hospital Audit Guide published by the American Institute of Certified Public Accountants in 1972. In accordance with the Guide, unrestricted funds accumulated at the direction of the Board of Directors for specific purposes or projects are reported as board-designated funds, and funds restricted by donors for specific purposes are reported as restricted funds.

Los Medanos Community Hospital District receives a portion of its financial support from property taxes collected in its district. Tax revenues (a rate not to exceed 20¢ per \$100 valuation) are subject to the Board of Directors' discretion for additions to or replacement of property, plant, and equipment or use for expenditures for operations. Interest income on board-designated fund assets is reported as nonoperating revenue. In March 1976 the voters of the district approved a 30¢ per \$100 additional tax levy authority for the purpose of acquiring a new hospital facility (see Note 3).

The assets of the East County Community Detoxication Center, the Social Service Grant Fund, the Community Health Center, the Hypertension Control Project, the 714 Community Drug Program, the Ambulatory Care Center, and the Nutrition Program for the Elderly and the net income of each are reported as restricted funds. In addition, the deferred compensation payable and the related cash surrender value of the annuity policies are reported in restricted funds.

Receivables reflect the daily accrual of patient revenue at regular billing rates as services are rendered.

Provision for uncollectible patient receivables is made as a percentage of revenue; patient accounts are charged against the allowance when they are deemed uncollectible. The allowance for doubtful accounts at each period end follows:

December 31, 1976.....	\$223,519
June 30, 1976.....	166,625
December 31, 1975.....	131,193
June 30, 1975.....	122,270
June 30, 1974.....	107,106

Provision for adjustment of cost reimbursements due under Medicare and Medi-Cal programs is made at the time of recording revenue; upon review by the governmental agencies concerned, adjustments are charged or credited to the accumulated provision and any excess or deficiency is credited or charged to revenue of the accounting period in which such adjustment is finalized. See Note 2.

Inventories of drugs and supplies are stated at cost not in excess of market. Beginning with the fiscal year ended June 30, 1976 the method of valuing inventory was changed from first-in, first-out to moving average cost. The cumulative effect of this change on the July 1, 1975 beginning retained earnings and on income for the year ended June 30, 1976 was immaterial.

Property, plant, and equipment are stated at cost and, except for land, are depreciated over the estimated useful lives of the assets using the straight line method. Repairs, maintenance, and minor replacements are charged to expense. Renewals of a major nature, which extend the useful lives, are capitalized. On sale or retirement, cost and accumulated depreciation are eliminated from the accounts and any gain or loss on disposal is included in income or expense. Interest expense on long-term debt related to the purchase of land for the new hospital site has been capitalized and included in the land account.

A retirement plan has been adopted by the Hospital District for all eligible full-time employees. Current costs accrued are funded. Prior-service costs are being funded over a period of forty years.

2. MEDICARE AND MEDI-CAL CONTRACTUAL ALLOWANCES

Cost reimbursements received under Medicare and Medi-Cal programs are subject to adjustment upon review by the governmental agencies concerned. These adjustments are reflected in the year they are received from the intermediaries. During the fiscal years ended June 30, 1976, 1975, and 1974 the District received adjustments for fiscal years 1975, 1974, and 1973 for reimbursement under Medicare of \$34,936, \$(26,450), and \$58,261, respectively. During the six months ended December 31, 1976 and 1975, the adjustments received were \$34,936 and \$8,415, respectively. The District is currently in the process of appealing the 1975 fiscal year adjustment received during the June 30, 1976 fiscal year.

The settlements through June 30, 1975 under the Medicare and Medi-Cal programs have been reviewed by the governmental agencies concerned. The amounts receivable as of June 30, 1976 reflect the estimated data per the cost reports and are subject to adjustment, following the filing of the cost reports and review by the intermediaries.

Patient service revenue from Medicare and Medi-Cal amounted to approximately \$2,500,000, \$1,700,000, and \$1,700,000 during the years ended June 30, 1976, 1975, and 1974, respectively. For the six months ended December 31, 1976 and 1975, such amounts were approximately \$1,400,000 and \$1,200,000, respectively.

3. NEW HOSPITAL FACILITY

During the 1977 fiscal year construction will begin on a new hospital facility near the Los Medanos Community College to replace the existing structure. The estimated completion date is October 1978. As of December 31, 1976, the Hospital District had remaining contract commitments of approximately \$960,000 relating to the building's construction.

A nonprofit corporation has been established to sell \$12.6 million principal tax-exempt bonds secured by a facility lease with the District and contract for the construction of the new facility. Upon occupancy of the new facility, the District will pay to the nonprofit corporation a rent equal to the debt service plus administrative costs. Rental payments are scheduled to begin in July 1979 and continue semi-annually to January 2004. Upon redemption of the bonds, ownership of the facility will revert to the District.

The facility lease and deferred architect and consulting fees will be capitalized by the District.

Certain equipment will not be transferred to the new facility. The Hospital District has provided for the estimated loss on disposition of those assets in its December 31, 1976 financial statements. Such loss can be deducted for Medicare and Medi-Cal cost reimbursement purposes commencing in the year of actual disposition. The reimbursement benefit resulting from this loss has not been recorded because realization is not assured due to limitations on costs imposed by government-sponsored programs.

4. LONG-TERM DEBT

The note payable at June 30, 1975 related to a deed of trust applicable to a parcel of unimproved land acquired as a site for the new hospital facility (see Note 3). This note was fully paid in January 1976.

Certain long-term lease transactions with the Bank of America relating to the financing of equipment are accounted for as instalment purchases. The capitalized lease obligation reflects the present value of future rental payments, discounted at the interest rates (5% to 6-3/4%) implicit in the leases, and a corresponding amount is capitalized as equipment and depreciated over the assets' estimated economic lives on a straight-line basis. The obligation is payable in annual instalments of \$65,880, with the last payment due September 1980.

5. EMPLOYEE RETIREMENT PLAN

A contributory retirement plan provides benefits for all eligible Hospital District employees. Retirement cost included in expense for the years ended June 30, 1976, 1975, and 1974 amounted to \$53,000, \$47,000, and \$35,000, respectively. Such expenses amounted to \$26,000 for each of the six-month periods ended December 31, 1976 and 1975. The assets of the plan were less than the actuarially computed vested benefits as of June 30, 1975 (date of the most recent actuarial report) by approximately \$50,000.

In fiscal 1975, the plan was amended to conform to the Employee Retirement Income Security Act of 1974. As a result of the amendments, the unfunded prior service cost was increased by \$239,265 in 1975. The unfunded prior service cost as of June 30, 1976 was \$297,157 and is being amortized over 40 years.

6. DEFERRED COMPENSATION

The Hospital District has deferred compensation agreements with certain employees which provide for fixed annual payments after retirement. At June 30, 1976, 1975, and 1974 the obligation of \$325,640, \$227,475, and \$108,187 (\$374,108 and \$252,548 at December 31, 1976 and 1975) was funded through the purchase of individual annuity policies, the cash surrender value of which was equal to the deferred compensation liability at those dates.

7. LEASED EQUIPMENT

Minimum rental liability under noncapitalized long-term equipment leases is due as follows:

June 30, 1977.....	\$ 54,432
June 30, 1978.....	54,432
June 30, 1979.....	29,515
June 30, 1980.....	<u>6,788</u>
Total.....	<u>\$145,167</u>

Rental payments charged to expense were \$111,186, \$105,830, and \$61,562 in the fiscal years ended June 30, 1976, 1975, and 1974, respectively. For the six months ended December 31, 1976 and 1975 such amounts were \$56,341 and \$54,815, respectively. All rental payments are dependent on lapse of time except for payments made under certain equipment leases which are partially based on usage (fiscal 1976, \$46,370; fiscal 1975, \$36,294; fiscal 1974, \$33,291; six months ended December 31, 1976, \$24,236; and six months ended December 31, 1975, \$22,751).

8. CONTINGENT LIABILITIES

There are certain contingent liabilities, claims, and litigation which are considered routine to the Hospital District's operations. Hospital management does not expect such present matters to have a material effect on the Hospital District's financial position or results of operations.

APPENDIX B

*Los Medanos Community Hospital District
Pittsburg, California*

FINANCIAL FEASIBILITY REPORT

January 17, 1977

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January 17, 1977

Board of Directors
Los Medanos Community Hospital District
555 School Street
Pittsburg, California 94565

We are pleased to submit this report on the financial feasibility of the construction project of Los Medanos Community Hospital District and Los Medanos Community Hospital District (Pittsburg Area) Hospital Building Corporation ("Corporation"). The purpose of the study was to assess the District's ability to meet rental payment obligations of a Facility Lease during the forecast period.

Los Medanos Community Hospital is a 78-bed general, acute-care institution which is the primary provider of hospital services in the Pittsburg area. The Hospital is a District hospital supported, in part, by a tax levy on the secured and unsecured property-tax rolls of the Los Medanos Community Hospital District. A \$0.20 per \$100 valuation assessment may be levied by the District in support of the maintenance and operations of the District. An additional \$0.30 per \$100 valuation levy was approved by the voters of the District on March 2, 1976 for the object and purpose of capital outlay, namely, the acquiring of a new hospital located in the District. Counsel reports that the total \$0.50 levy may be applied toward the rental payment on the new facility.

The Corporation was established subsequent to the election for the purpose of providing the District with a financing vehicle for the new hospital facility. The District will lease an 11.2-acre site to the Corporation for the construction of the new facility through the Site Lease. The Corporation will agree to construct the proposed project and will lease the new facility to the District through the Facility Lease.

The proposed construction project has been designed to replace completely the existing, non-conforming facility located on School Street. The project involves new construction on 11.2 acres of a 20.0-acre site at the intersection of Loveridge and East Leland Roads of approximately 133,000 square feet. The ancillary departments will include 29,600 square feet. In addition, a 1,800 square foot Community and Inservice Education Center has been programmed into the design. The hospital will consist of a 5-level structure with the 5th level reserved for future expansion. The total number of beds will not change; however, the mix of beds will be modified.

Excavation, site clearing, and the concrete reinforcing were completed in November, 1976. Structural steel and metal decking is scheduled for completion in March, 1977. The new facility is scheduled to be completed in September, 1978, with occupancy scheduled for October, 1978.

The cost of construction, equipment, furnishing, and related fees, including contingency allowance, is estimated at \$13,281,784. The District has obtained acceptable bids for all phases of construction. Through June 30, 1976, the District had capitalized \$662,640 in architectural and consulting fees, and \$427,722 in land costs associated with the new hospital site. Tax revenues from prior years have been the major source of funds for these expenditures. The District is anticipated to contribute an additional \$2,760,975 from tax-revenues during the construction period. The use of tax-revenues will be primarily to acquire Group II and III equipment and to pay for architect and consulting fees.

The District will lease the new hospital structure from the Corporation. The Facility Lease requires that the District make estimated semi-annual rental payments of \$530,000 each July 15 and January 15, beginning on July 15, 1979 until and including January 15, 2004.

The proposed \$12,600,000 tax-exempt bond issue by the Corporation will fund the construction of the project. Bond proceeds will be used to establish an estimated \$1,070,000 Reserve Fund, leaving an estimated \$9,217,796 for remaining construction and contingency costs, \$1,073,204 for fees and other expenses, and \$1,239,000 for net interest during construction expense.

The scope of the study included a determination of the expected utilization of Los Medanos Community Hospital, and the development of financial forecasts for the fiscal years ending June 30, 1977 through 1982. Our review included, among other elements, the following:

- Review of program plans, costs, timing of expenditures, and scheduled occupancy of newly constructed facilities.
- Analysis of patient origin and utilization data for the District and other area hospitals.
- Review of economic and demographic characteristics and trends for the District's service area.
- Review of the plans of other area health facilities to meet anticipated health needs.
- Assessment of the impact of governmental health planning bodies upon the plans and operations of area hospitals.
- Survey of the active medical staff regarding their planned future activities and their support of the District and the project.
- Review of the physician recruiting plan and program.

- Review of historical operating costs and development of bases for forecasting future operating costs.
- Review of planned changes in staff and operations resulting from occupancy of the new facility.
- Examination of cost-based reimbursor regulations and cost-limitation programs, both existing and proposed.
- Review of the Facility Lease between the District and the Los Medanos Community Hospital District (Pittsburg Area) Hospital Building Corporation.
- Review of the anticipated issuance of bonds by the Los Medanos Community Hospital District (Pittsburg Area) Hospital Building Corporation.

The forecasted financial statements are based upon the assumptions and rationale described in the report. In particular, the Facility Lease is treated as a capitalized lease such that interest and depreciation are used to calculate allowable costs for reimbursement from government programs.

The forecasts indicate that sources of funds are expected to be sufficient to complete the project, redeem the outstanding tax anticipation notes, and meet the funding requirements detailed in the proposed Bond Indenture and associated Facility Lease, based upon the assumptions set forth in this report. Furthermore, the forecasts for the Fiscal Years 1977 to 1982 indicate that adequate cash flow can be generated to satisfy the forecasted operating expenses of the District and rental payment requirements of the proposed Facility Lease. It is therefore our conclusion that the project is financially feasible. However, we have not made financial forecasts of the District beyond 1982.

The forecasts and conclusions are based on a number of significant assumptions that are set forth in the following report. These assumptions have been provided by or have been reviewed with and approved by management of the District, and we believe that they are reasonable in light of present circumstances. To the extent that these assumptions are not realized, the actual results will vary accordingly. Implementation of policies and procedures to attain the assumed results is the responsibility of the District and its management. Since projections of future events are subject to uncertainty, we cannot guarantee these projections as specific results that will be achieved.

The terms of our engagement are such that we have no obligation to update this report because of events occurring subsequent to the date of this report.


AMHERST ASSOCIATES INC.

EXHIBIT I

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
 FORECASTED INCOME STATEMENT
 FISCAL YEAR END JUNE 30
 1977-1982
 (000's OMITTED)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
GROSS REVENUE FROM PATIENT SERVICES						
Routine Services	\$ 2,119	\$ 2,567	\$ 3,096	\$ 3,766	\$ 4,157	\$ 4,584
Inpatient Ancillary Services	2,147	2,601	3,158	3,991	4,385	4,814
Outpatient Ancillary Services	<u>1,279</u>	<u>1,532</u>	<u>1,904</u>	<u>2,432</u>	<u>2,730</u>	<u>3,057</u>
Total	\$ 5,545	\$ 6,700	\$ 8,158	\$10,189	\$11,272	\$12,455
Less Deductions						
Contractual Allowances	\$ 282	\$ 464	\$ 477	\$ 513	\$ 659	\$ 827
Routine Services Limitation	-	-	16	130	129	126
Bad Debts	<u>152</u>	<u>183</u>	<u>222</u>	<u>281</u>	<u>311</u>	<u>342</u>
	\$ 434	\$ 647	\$ 715	\$ 924	\$ 1,099	\$ 1,295
Net Revenues From Services	5,111	6,053	7,443	9,265	10,173	11,160
Other Operating Revenue	<u>56</u>	<u>60</u>	<u>63</u>	<u>67</u>	<u>71</u>	<u>75</u>
NET OPERATING REVENUE	\$ 5,167	\$ 6,113	\$ 7,506	\$ 9,332	\$10,244	\$11,235
Operating Expenses						
Salary, Wages and Benefits	\$ 2,835	\$ 3,270	\$ 3,821	\$ 4,384	\$ 4,833	\$ 5,303
Medical Specialist's Fees	691	812	966	1,114	1,234	1,366
Non-Salary Expense	<u>1,364</u>	<u>1,602</u>	<u>1,907</u>	<u>2,197</u>	<u>2,433</u>	<u>2,695</u>
Total Operating Expenses	\$ 4,890	\$ 5,684	\$ 6,694	\$ 7,695	\$ 8,500	\$ 9,364
INCOME BEFORE INTEREST, DEPRECIATION AND AMORTIZATION	\$ 277	\$ 429	\$ 812	\$ 1,637	\$ 1,744	\$ 1,871
OTHER EXPENSES						
Depreciation and Amortization	\$ 139	\$ 148	\$ 584	\$ 736	\$ 745	\$ 755
Interest	<u>9</u>	<u>6</u>	<u>3</u>	<u>808</u>	<u>794</u>	<u>779</u>
Total Other Expenses	\$ 148	\$ 154	\$ 587	\$ 1,544	\$ 1,539	\$ 1,534
INCOME FROM OPERATIONS	\$ 129	\$ 275	\$ 225	\$ 93	\$ 205	\$ 337
OTHER INCOME						
Investment Income	\$ 18	\$ 21	\$ 25	\$ 77	\$ 86	\$ 112
Tax Revenue	<u>1,343</u>	<u>1,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET INCOME	<u>\$ 1,490</u>	<u>\$ 1,706</u>	<u>\$ 250</u>	<u>\$ 170</u>	<u>\$ 291</u>	<u>\$ 449</u>

This statement has been prepared on the basis of the accompanying assumptions and rationale.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
AND LOS MEDANOS COMMUNITY HOSPITAL DISTRICT (PITTSBURG AREA)
HOSPITAL BUILDING CORPORATION
FORECASTED CONSOLIDATED BALANCE SHEET
FISCAL YEAR END JUNE 30
1977-1982
(000's OMITTED)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
CURRENT ASSETS						
Cash	\$ 80	\$ 93	\$ 110	\$ 125	\$ 139	\$ 153
Net Accounts Receivable	1,022	1,227	1,529	1,964	2,156	2,341
Inventories	154	181	216	248	275	305
Other Current Assets	59	68	80	92	102	112
TOTAL CURRENT ASSETS	<u>\$ 1,315</u>	<u>\$ 1,569</u>	<u>\$ 1,935</u>	<u>\$ 2,429</u>	<u>\$ 2,672</u>	<u>\$ 2,911</u>
TRUSTEE HELD FUNDS						
Construction Fund	\$ 9,105	\$ 2,739	\$ -	\$ -	\$ -	\$ -
Interest Fund	1,347	496	-	-	-	-
Reserve Fund	1,070	1,070	1,070	1,070	1,070	1,070
Corporate Operation Fund	10	10	10	10	10	10
TOTAL TRUSTEE HELD FUNDS	<u>\$11,532</u>	<u>\$ 4,315</u>	<u>\$ 1,080</u>	<u>\$ 1,080</u>	<u>\$ 1,080</u>	<u>\$ 1,080</u>
HOSPITAL INVESTMENTS						
Investment Balance	\$ 474	\$ 560	\$ 1,695	\$ 1,910	\$ 2,479	\$ 3,225
FIXED ASSETS						
Land	\$ 428	\$ 428	\$ 428	\$ 428	\$ 428	\$ 428
Plant and Equipment	2,253	2,328	4,105	4,180	4,255	4,330
Capitalized Lease	-	-	12,531	12,531	12,531	12,531
Construction in Progress	3,074	11,708	-	-	-	-
LESS: Accumulated Depreciation	<u>1,223</u>	<u>1,371</u>	<u>1,955</u>	<u>2,691</u>	<u>3,436</u>	<u>4,191</u>
TOTAL ASSETS	<u>\$17,853</u>	<u>\$19,537</u>	<u>\$19,819</u>	<u>\$19,867</u>	<u>\$20,009</u>	<u>\$20,314</u>
CURRENT LIABILITIES						
Trade Accounts Payable	\$ 205	\$ 198	\$ 236	\$ 272	\$ 301	\$ 333
Accrued Salaries, Wages, and Benefits	284	327	382	438	483	530
Current Portion of Long- Term Debt	59	63	216	225	225	250
Other Current Liabilities	10	11	13	15	17	19
TOTAL CURRENT LIABILITIES	<u>\$ 558</u>	<u>\$ 599</u>	<u>\$ 847</u>	<u>\$ 950</u>	<u>\$ 1,026</u>	<u>\$ 1,132</u>
LONG-TERM DEBT (Less Current Portion)						
Notes	\$ 79	\$ 16				
Tax-Exempt Bonds	12,600	12,600	12,400	12,175	11,950	11,700
TOTAL	<u>\$12,679</u>	<u>\$12,616</u>	<u>\$12,400</u>	<u>\$12,175</u>	<u>\$11,950</u>	<u>\$11,700</u>
Fund Balance	4,616	6,322	6,572	6,742	7,033	7,482
LIABILITIES PLUS FUND BALANCE	<u>\$17,853</u>	<u>\$19,537</u>	<u>\$19,819</u>	<u>\$19,867</u>	<u>\$20,009</u>	<u>\$20,314</u>

This statement has been prepared on the basis of the accompanying assumptions and rationale.

EXHIBIT I

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT AND LOS MEDANOS COMMUNITY HOSPITAL DISTRICT (PITTSBURG AREA) HOSPITAL BUILDING CORPORATION FORECASTED CONSOLIDATED STATEMENT OF CASH FLOW FISCAL YEAR END JUNE 30 1977-1982 (000's OMITTED)

	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
CASH AND MARKETABLE SECURITIES AT BEGINNING OF YEAR	\$ 490	\$12,086	\$ 4,968	\$ 2,885	\$ 3,115	\$ 3,698
SOURCES OF FUNDS:						
Net income from operations	129	275	225	93	205	337
Depreciation and amortization	139	148	584	736	745	755
Increases (decreases) in current liabilities						
Trade accounts payable	(61)	(7)	38	36	29	32
Accrued salaries and payroll taxes	15	43	55	56	45	47
Other current liabilities	-	1	2	2	2	2
Decreases (increases) in current assets						
Accounts receivable	(21)	(205)	(302)	(435)	(192)	(185)
Inventories	(22)	(27)	(35)	(32)	(27)	(30)
Other current assets	(8)	(9)	(12)	(12)	(10)	(10)
TOTAL SOURCES OF FUNDS FROM OPERATIONS AND NON-OPERATING REVENUE	\$ 661	\$12,305	\$ 5,523	\$ 3,329	\$ 3,912	\$ 4,646
Tax anticipation notes	500					
Proceeds of proposed bond issue	12,600	-	-	-	-	-
Interest earned on funds during construction	189	203	71	-	-	-
Investment income	18	21	25	77	86	112
Tax revenues	1,343	1,410	-	-	-	-
TOTAL OTHER SOURCES	\$14,650	\$ 1,634	\$ 96	\$ 77	\$ 86	\$ 112
TOTAL CASH AND MARKETABLE SECURITIES AVAILABLE	\$15,311	\$13,939	\$ 5,619	\$ 3,406	\$ 3,998	\$ 4,758
USES OF FUNDS:						
Construction of proposed facility and equipment	2,246	7,986	2,100	-	-	-
Normal equipment acquisitions and replacements	69	75	75	75	75	75
Payment of principal on proposed tax-exempt bonds	-	-	-	200	225	225
Payment of principal on other indebtedness	56	59	63	16	-	-
Gross interest capitalized during construction	354	851	496	-	-	-
Payment of tax anticipation notes	500	-	-	-	-	-
TOTAL USES OF FUNDS	\$ 3,225	\$ 8,971	\$ 2,734	\$ 291	\$ 300	\$ 300
CASH AND MARKETABLE SECURITIES AT END OF YEAR	<u>\$12,086</u>	<u>\$ 4,968</u>	<u>\$ 2,885</u>	<u>\$ 3,115</u>	<u>\$ 3,698</u>	<u>\$ 4,458</u>
CONSISTING OF:						
Funds held by trustee:						
Construction fund	9,105	2,739	-	-	-	-
Interest fund	1,347	496	-	-	-	-
Reserve fund	1,070	1,070	1,070	1,070	1,070	1,070
Corporate operation fund	10	10	10	10	10	10
Total trustee held funds	<u>\$11,532</u>	<u>\$ 4,315</u>	<u>\$ 1,080</u>	<u>\$ 1,080</u>	<u>\$ 1,080</u>	<u>\$ 1,080</u>
Hospital investments:						
Investment balance	474	560	1,695	1,910	2,479	3,225
Operating cash	80	93	110	125	139	153
	<u>\$12,086</u>	<u>\$ 4,968</u>	<u>\$ 2,885</u>	<u>\$ 3,115</u>	<u>\$ 3,698</u>	<u>\$ 4,458</u>

This statement has been prepared on the basis of the accompanying assumptions and rationale.

EXHIBIT II

ASSUMPTIONS AND RATIONALE

A. BACKGROUND AND DESCRIPTION

DESCRIPTION OF LOS MEDANOS COMMUNITY HOSPITAL DISTRICT

The Los Medanos Community Hospital District (the "Hospital") is located in eastern Contra Costa County, approximately 37 miles east of San Francisco. The primary population center of the District consists of the City of Pittsburg. The District also includes the unincorporated areas of West Pittsburg, Port Chicago and Shore Acres. The hospital is an accredited 78-bed facility with 62 medical/surgical, 12 obstetric and 4 pediatric beds.

The present hospital structure on School Street was deeded to the District after World War II by the Federal Government. This structure does not meet the current seismic and fire safety standards as established by the State of California for non-ambulatory medical care and will be closed upon completion of the new facility.

In March, 1976 the voters of the Los Medanos Community Hospital District voted to increase their property tax support of the District hospital from \$0.20 to a maximum of \$0.50 per \$100 valuation. The tax support is to be used for maintenance and operations (\$0.20 per \$100) and capital expenditures (\$0.30 per \$100). Counsel reports that the total \$0.50 levy may be applied toward the rental payment on the new facility. The voters of the District approved by a majority vote the following ballot proposition:

"Shall the maximum annual tax rate which Los Medanos Community Hospital District is empowered to levy upon all property within the District subject to taxation for District purposes be increased for not to exceed thirty years by thirty cents (30¢) per One Hundred Dollars (\$100) of assessed valuation for the object and purpose of capital outlay, namely, the acquiring of a new hospital located in the District, including lands, easements, improvements, equipment, furniture, facilities and appurtenances necessary and convenient for the construction and improvement of said hospital, said hospital to be acquired by lease or purchase or any other financing method selected by the Board of Directors of the District."

The Los Medanos Community Hospital District (Pittsburg Area) Hospital Building Corporation (the "Corporation"), a not-for-profit corporation, was formed for the purpose of rendering financial assistance to the District by financing and constructing the proposed project for the District.

To this end, the Corporation will issue \$12,600,000 in Series 1977 bonds. The District will lease the 11.2-acre hospital construction site through a Site Lease to the Corporation and the Corporation will agree to construct the proposed project. The District will lease the facility from the Corporation for an annual rental payment equal to an estimated base rent of \$1,060,000, plus an additional rent for administrative costs of the Corporation estimated at approximately \$5,000 per year. The base rental payment for the District will be calculated from the actual interest rate and maturity schedule of the Series 1977 bonds. Administrative costs may be paid from interest income on the Reserve Fund. Payments will begin on July 15, 1979 and continue semi-annually to and including January 15, 2004.

Only the gross revenues of the Corporation are pledged to the payment of the principal and interest on the bonds. The Corporation will make interest payments each February 1 and August 1 and principal payments each February 1, commencing in 1980, to February 1, 2004. Upon retirement of these bonds, ownership of the facility will vest in the District. The District covenants to take such action as may be necessary to include rental payments in its annual budget and to make, if necessary, tax appropriations for all rental payments.

Generally accepted accounting principles for hospitals require that the cost of the new facility be capitalized by the District and the assets depreciated by the straight-line method over their useful lives. For purposes of forecasting the financial performance of Los Medanos Community Hospital District and anticipated reimbursement under Government programs, expenses were forecasted to include interest and depreciation associated with the assets acquired under the lease agreement.

Forecasts of the operations, project sources and uses, and utilization of the District and Corporation have been prepared on a fiscal year ending June 30 basis.

THE PROJECT

The Los Medanos Community Hospital District and the Corporation have both undertaken a construction project for the complete replacement of the existing non-conforming health care facility. The new facility will be on 11.2 acres of a 20-acre site located at the intersection of Loveridge and East Leland Roads, approximately three miles from the existing hospital. The site will be accessible by freeway and local travel from all areas of the District.

The project will consist of construction of 133,000 square feet including 78 beds: 8 ICU/CCU, 4 OB/GYN and 66 Medical/Surgical. Pediatric patients will be admitted to the Medical/Surgical acute care beds. The ancillary departments will contain 29,600 square feet and will include a complete array of services and the activities of a District sponsored Community Health Center. An additional 1,800 square feet for community education and in-service training is included in the program. Selected areas of the facility have been planned for expansion and flexibility.

The project was designed by the architectural firm of Lyons and Hill, Walnut Creek, California. Turner Construction Company, San Francisco has been selected as the construction consultant for the project. Continental Heller Corporation of Sacramento, California has been selected as the general contractor for the major construction of the hospital structure based on the submission of the low bid on December 21, 1976.

Excavation, site clearing, and concrete reinforcing were completed in November, 1976. Structural steel and metal decking is scheduled for completion in March, 1977. The new facility is scheduled to be completed in September, 1978.

Descriptions of the hospital service area, population, hospital district, neighboring health facilities' utilization, and medical staff appear in Exhibit III. The historical revenues, operating expenses, utilization, sources and uses of funds, patient mix, and anticipated tax revenue provided the foundation for the financial forecasts.

PLANNING APPROVALS

The District has received an exemption from the California Certificate of Need Regulations, enacted on September 9, 1976. The hospital's administration has reported that the District has obtained all other necessary planning approvals in order to complete construction and begin operation of the new facility. Lyons and Hill reports that all State of California divisions and departments which have authority over hospital construction have granted all required exemptions, have approved all plans and specifications and have given the District the required approvals to proceed with the project as designed.

B. PROJECT COST AND FINANCING

CONSTRUCTION AND EQUIPMENT COST

The Corporation received competitive construction bids and Continental Heller Corporation submitted the low bid of \$8,711,000 for all remaining phases of construction. Group I equipment costs are included in the construction costs. However, major movable equipment (Group II and III) is not included in the construction costs and has been estimated at \$938,399 by Medical Health Systems, San Carlos, California.

A summary of the estimated project costs including construction, fees and land acquisition but excluding interest during construction and financing fees is presented below.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
AND LOS MEDANOS COMMUNITY HOSPITAL DISTRICT (PITTSBURG AREA)
HOSPITAL BUILDING CORPORATION
ESTIMATED CONSTRUCTION COSTS AND RELATED FEES

Construction costs	\$ 9,812,972
Land	427,722
Major movable equipment*	938,399
Fees*	1,595,895
Contingency*	<u>506,796</u>
Total cost	<u>\$13,281,784</u>

*Estimated

PROJECT SOURCES AND USES OF FUNDS

A tax-exempt bond issue in the amount of \$12,600,000 is proposed to finance the construction project. The bonds will be dated February 1, 1977 with serial maturities dating from 1980 to 2004 with a projected average interest rate of 6.75 percent. Proceeds from the sale will be placed in trust with the United California Bank for the Corporation. According to the terms of the indenture agreement, trustee held funds will be invested in qualified short-term securities until expended.

Because of the timing of the receipt of tax revenues, \$500,000 of District Tax Anticipation Notes were issued in August, 1976 for project expenditures. These notes will be retired from fiscal 1977 tax revenues.

Project uses of funds in 1977 of \$4,169,876 include \$1,070,000 for a reserve fund. Project uses of funds in 1978 and 1979 are forecasted to equal \$8,836,964 and \$3,308,135 respectively. Total project uses of \$17,405,337 are forecasted to be financed by \$12,600,000 in Corporation tax-exempt bonds, \$500,000 in District

Tax Anticipation Notes, \$1,090,362 in previously expended District funds capitalized as land and deferred architect and consulting fees on the June 30, 1976 financial statements, \$462,000 of Corporation interest income and \$2,752,975 in District tax-revenues. The tables below present the flow of construction funds and use of proceeds. Approximately \$712,553 of 1979 project uses will be available to establish a Renewal and Replacement Account and a Depreciation Reserve Account of the Capital Improvement Fund. The District Board of Directors will make a determination in 1979 as to the funding of these accounts.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
AND LOS MEDANOS COMMUNITY HOSPITAL DISTRICT (PITTSBURG AREA)
HOSPITAL BUILDING CORPORATION
ESTIMATED PROJECT SOURCES AND USES
FISCAL YEAR END JUNE 30

Uses	Through 1977	1978	1979	1980	1981
Land (Stoneman Site)	\$ 427,722	\$ 0	\$ 0	\$ 0	\$ 427,722
Construction and Contingency Group II and III	0	1,444,769	7,533,430	1,341,569	10,319,768
	0	0	229,000	709,399	938,399
Architect Fees	534,199	165,514	86,482	0	786,195
Other Fees ¹	128,441	495,343	137,552	48,364	809,700
Corporation Financing Costs	0	140,000	0	0	140,000
Retirement of Tax Anticipation Notes	0	500,000	0	0	500,000
Reserve Fund	0	1,070,000	0	0	1,070,000
Funded Interest Disbursements	0	354,250	850,500	496,250	1,701,000
Available for Board Designated Funds ²	0	0	0	0	0
Total Uses	\$ 1,090,362	\$ 4,169,876	\$ 8,836,964	\$ 3,308,135	\$17,405,337
Sources					
District Contributed Funds	\$ 1,090,362	\$ 0	\$ 0	\$ 0	\$ 1,090,362
Bonds	0	12,600,000	0	0	12,600,000
Tax Revenue	0	1,342,975	0	0	2,752,975
Tax Anticipation Notes	0	500,000	0	0	500,000
Interest Income	0	0	0	0	0
Accrued Interest	0	71,000	0	0	71,000
Reserve Fund	0	17,833	0	0	64,000
Funded Interest	0	25,990	0	0	81,000
Construction Fund	0	73,800	0	0	246,000
Sub-Total	\$ 1,090,362	\$ 14,631,598	\$ 0	\$ 0	\$ 462,000
Total Sources	\$ 1,090,362	\$14,631,598	\$ 0	\$ 0	\$17,405,337
Net Cash Flow	0	10,461,722	(7,224,304)	(3,237,418)	0
Construction Balance	0	10,461,722	3,237,418	0	0

1. Includes \$35,000 of interest on Tax Anticipation Notes.

2. Funds available for Renewal and Replacement Account, Depreciation Reserve Account, and/or other District purposes.

The use of the \$12,600,000 in bond proceeds is specified below.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
(PITTSBURG AREA) HOSPITAL BUILDING CORPORATION
USE OF BOND PROCEEDS

Construction	\$ 8,711,000
Architect's fees (Portion payable by Corporation)	618,104
Construction consultant (Portion payable by Corporation)	182,100
Testing and inspection	40,000
Plan-check fees	26,000
Contingencies and change orders	506,796
Administration and overhead expenses (including trusteeship, printing, title insurance, legal counsel, other professional services and miscellaneous)	140,000
Corporation insurance (two years)	67,000
Reserve fund (maximum annual debt service)	1,070,000
Funded interest (24 months)	1,701,000
Less: Interest earnings	
Accrued interest	\$ 71,000
Construction fund	246,000
Debt Service Reserve Fund	64,000
Funded interest	81,000
	<u>(462,000)</u>
Par Value of Bonds to be Issued	\$12,600,000

Los Medanos Community Hospital District and the Corporation will supervise the construction disbursements. The Corporation will also assume the liability for payment of the Continental Heller Corporation construction contract and for interest and principal payments on the bond issue. A semi-annual base rental in an amount sufficient to pay all semi-annual interest and annual principal payments plus administrative and trustee fees will be payable by the District. A facility lease will be entered into between the District and the Corporation. Upon retirement of the bond issue, the District will gain title to the hospital facility.

C. FORECAST OF FACILITY UTILIZATION

The major patient utilization statistics used in the forecasted financial statements and the assumptions underlying the forecasted statistics are as follows:

LOS MEDANOS COMMUNITY HOSPITAL PROJECTED UTILIZATION FISCAL YEAR END JUNE 30 1977 - 1982						
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
Admissions	2,871	3,175	3,511	3,771	3,874	3,982
Average Length of Stay	5.6	5.6	5.6	5.7	5.7	5.7
Patient Days	15,941	17,678	19,607	21,411	22,030	22,670
Average Daily Census	43.7	48.4	53.7	58.7	60.4	62.1
Licensed Beds	78	78	78	78	78	78
Occupancy %	56.0	62.1	68.9	75.2	77.4	79.6
Outpatient Visits	29,142	31,750	36,339	40,313	42,769	45,315
Active Admitting Physicians	25	27	30	32	33	34

Exhibit III contains the rationale and assumptions used in deriving the hospital service area, population trends, patient origin, and expected utilization. The forecast of hospital utilization used in developing the financial forecasts was made from separate projections of inpatient and outpatient demand. Historical patterns of population change in the hospital's service area, changes in the demand for health care, medical staff characteristics and trends in inpatient and outpatient utilization of Los Medanos Community Hospital and other area hospitals were analyzed. Data and reports prepared by various governmental and quasi-governmental agencies were used in establishing the projected population and community health care needs through 1982. Adjustments to statistical data have been made to reflect the results of interviews with Los Medanos Community Hospital's management, medical staff, and health planners and health professionals.

D. FORECAST OF EXPENSES

SALARIES AND WAGES

Forecasted staffing requirements are based upon projected departmental levels of activity. As the overall level of activity increases between 1977-82 from its current level, the fixed salary expense is expected to decrease as a percentage of total salary expense. The fixed component of salary expense is forecasted at 40% in 1977, 35% in 1978, 30% in 1979 and 25% from 1980-82. The remaining staffing expense was assumed to be linearly variable with volume. Employee benefits including payroll taxes, health insurance and pension plan have been included in salary expense. Average annual wage rates, including benefits, are projected to increase by approximately 12% in 1977, 8% in 1978 and 1979, 7.5% in 1980 and 1981, and 7% in 1982. The average hourly wage, including benefits, is forecasted to increase from \$6.83 in 1976 to \$11.00 in 1982. Full-time equivalents (FTE's) are forecasted to increase from 178.5 in 1976 to 231.8 in 1982. This results in a decrease from 4.24 FTE's per occupied bed in 1976 to 3.73 in 1982. In 1977, the District adjusted its FTE's downward to the approximate level of the 1975 California average of 3.96 FTE's per occupied bed.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT FULL-TIME EQUIVALENTS

	1976 ¹	1977	1978	1979	1980	1981	1982
Full-Time Equivalents	178.5	178.6	190.3	206.4	220.2	226.0	231.8
FTE's per Occupied Bed	4.24	4.09	3.93	3.84	3.76	3.74	3.73
Average Hourly Wage ²	\$ 6.83	\$ 7.63	\$ 8.24	\$ 8.90	\$ 9.57	\$10.28	\$11.00

1. Actual

2. Includes all fringe benefits.

The District maintains its own employee retirement plan. The District's consulting actuary, Coates, Herfurth & England, a division of Compensation & Capital Incorporated, reports the District retirement program, as of June 30, 1976, has an unfunded past service liability of \$297,157. The unfunded past service liability each year is determined from the previous year's liability by adding interest at the rate assumed and deducting the contribution made toward past service. Coates, Herfurth & England recommended on March 19, 1976 that the District should contribute \$30,436 on behalf of membership service and \$19,030 toward the past service liability (a total contribution of \$49,466). The District, which makes 100% of the retirement plan contributions, paid the \$49,466 during fiscal year 1976. Data relating to the 1977 District retirement plan was not available as of the date of this study. However, the total contribution is not expected to vary significantly from the 1976 level.

MEDICAL SPECIALIST'S FEES

Medical Specialist's Fees in 1976 were approximately 13% of operating expense, excluding interest and depreciation. Total Medical Specialist's Fees are forecasted to increase by approximately 18% in 1977-1979, 15% in 1980, and 11% in 1981 and 1982. These changes reflect the increases in patient activity forecasted for the period 1977-1982, as well as increased compensation.

NON-SALARY EXPENSE

Supplies and other non-salary expenses were developed based on the forecasted volume of services, historical unit costs, and the estimated fixed and variable components of the non-salary cost items. Non-salary expense in 1976 excluding interest and depreciation was approximately 27% of operating expense. Of total non-salary expense, 15% is attributable to fixed operating expenses. Non-salary expense per unit of activity is anticipated to increase by approximately 13% in 1977, 10% in 1978 and 1979, and 8% from 1980 to 1982.

DEPRECIATION AND AMORTIZATION

Depreciation of property, plant, and equipment was calculated by applying the straight-line method to the estimated useful lives of the various assets. Total forecasted depreciation in each year includes the annual depreciation on existing assets used over the remainder of their depreciable lives as previously established by the Hospital, estimated depreciation of assets included in the project, and estimated depreciation on additional capital expenditures projected over the forecasted period. Depreciation on the new hospital will begin upon occupancy of the new facilities in mid-fiscal 1979. Depreciation associated with the new construction for the forecast period is calculated at \$569,273 per year. The estimated useful lives and classifications of construction and equipment costs included in the project by major asset category are shown below. Based on information provided by the construction and equipment consultants, the new construction has an average depreciable life of 25.0 years.

	<u>Estimated Useful Life (years)</u>	<u>Asset Cost¹</u>
Building and Excavation	40	\$ 6,487,386
Group I Equipment	20	6,557,386
Group II and III Equipment	15	<u>1,188,290</u>
Total Depreciable Project Cost		<u>\$14,233,062</u>

1. These costs reflect the pro-rated addition of fees, interest during construction and contingency fees, to determine the total depreciable project costs and amortization of fees.

Also, capital additions of \$68,865 in 1977 and \$75,000 in subsequent years will be added to the existing asset base and depreciated over 8 years. To the extent additional capital expenditures are required, the District may rely on its taxing powers.

The unrealized depreciation on the existing non-transferable assets has been amortized over the forecasted period. This amounts to approximately \$70,000 per year.

INTEREST EXPENSE

Annual interest expense is calculated using an average interest rate of 6.75% on the planned tax-exempt bond issue. Interest income on the Reserve Fund is used as a partial offset to interest expense. Interest of \$35,000 on \$500,000 of Tax Anticipation Notes issued as interim construction financing is paid and capitalized in project costs. Interest expense totals \$18,577 during the period 1977-1980 on existing notes payable. The notes will be fully retired by 1980.

A description of long-term debt and coverage ratios is included in Section G.

PER-DIEM EXPENSES

Based on the assumptions, per-diem expenses are forecasted to increase from \$243.09 in 1977 to \$364.18 in 1982. The greatest change occurs in 1980, the first full year of occupancy, when expenses increase by \$45.28 or 15.89%.

	Inpatient Per-Diem Expense ¹	Increase	
		Amount	Percent
1976	\$226.59	\$ ---	--- %
1977	243.09	16.50	7.28
1978	254.70	11.61	4.78
1979	284.94	30.24	11.87
1980	330.22	45.28	15.89
1981	346.99	16.77	5.08
1982	364.18	17.19	4.95

1. Adjusted for outpatient activity.

E. FORECAST OF REVENUES

Patient care revenues were forecasted by an analysis of prevailing reimbursement policies, mix of payers, volume of activity, projected operating margins and operating expenses.

Total gross inpatient revenues as forecasted reflect annual increases in per-diem charges ranging from 6.92% to 13.57%.

	Gross Inpatient Per-Diem Revenue ¹	Increase	
		Amount	Percent
1976	\$246.63	\$ ---	--- %
1977	267.58	20.95	8.49
1978	292.37	24.79	9.26
1979	318.98	26.61	9.10
1980	362.28	43.30	13.57
1981	387.73	25.45	7.02
1982	414.55	26.82	6.92

1. Adjusted for outpatient activity.

ALLOWANCES AND BAD DEBTS

Contractual allowances represent the difference between charges for hospital-provided services covered under Medicare and Medi-Cal (Titles XIX and XVIII) and the amounts received by Los Medanos Community Hospital under the reimbursement programs. Reimbursement under these programs is based on reasonable costs accounted for in accordance with generally accepted accounting principles. In addition, hospitals are subject to a cost reimbursement limitation for outpatient visits for Medi-Cal patients and a limitation on routine service costs for Medicare patients.

The Social Security Amendments of 1972 (Public Law 92-603) added several provisions to the Medicare cost reimbursement program that will affect reimbursement. The three sections which have the most prevalent effect upon hospital's Medicare cost reimbursement are:

- Section 221 - Limitation on federal participation for capital expenditures.
- Section 223 - Limitation on coverage of costs under Medicare (limits the amounts of provider costs to be recognized as reasonable).
- Section 233 - Amount of payments where customary charges for services furnished are less than reasonable cost (reimbursement based upon the lower of reasonable cost or customary charges).

Routine service costs are forecasted to exceed forecasted routine services limitation ceilings (Section 223). The excess over the limitation is forecasted to increase from \$2.16 per Medicare day in 1979 to \$14.95 per Medicare day in 1982. The basis for determining the amount of excess charges is that forecasted charges will reflect forecasted expenses and profit margins and that the routine services limitations will increase at a rate of 6% per year. To the extent routine services reimbursement increases by another amount, the deduction for excess routine services will be altered. The projections anticipate that the hospital will increase its charges in ancillary services to compensate for this additional contractual allowance. The District could alternatively elect to subsidize this allowance with tax revenues in order to lower per-diem.

Under Section 233, the lower of cost or charges limitation on reimbursement is currently applied by comparing total Medicare revenue to total allowable costs under the Medicare program. A similar limitation is required under the Medi-Cal program. Los Medanos Community Hospital District's total charges are forecasted to be greater than their anticipated costs. Therefore, under present regulations if the forecasted rate increases (or increases sufficiently equal to the forecasted rate increases, to exceed future operating costs) are approved in the future by the Los Medanos Community Hospital District's Board of Directors, this limitation should not affect the District's Medicare and Medi-Cal cost reimbursement.

The average operating margin for routine and ancillary services is targeted to decline in 1980, the first full year of occupancy, to 1% and increase to 3% by 1982.

	<u>Operating Margin</u>
1977	2.5%
1978	4.5
1979	3.0
1980	1.0
1981	2.0
1982	3.0

Blue Cross of Northern California reimburses hospitals according to reasonable charges as do commercial insurers and self-pay patients. A revenue analysis for fiscal 1976 indicated that 50.3% of the revenues at the hospital are subject to cost-based reimbursement.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
REVENUE ANALYSIS: PERCENT
FISCAL YEAR END JUNE 30, 1976

	<u>Inpatient</u>	<u>Outpatient</u>	<u>Total</u>
Medicare	36.5%	13.4%	31.4%
Medi-Cal	17.3	24.4	18.9
Sub-Total	53.8%	37.8%	50.3%
Blue Cross	17.5	13.6	16.6
Commercial Insurance	18.3	13.9	17.3
Self-Pay	10.4	34.7	15.8
TOTAL	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Hospital Records.

Cost reimbursers (Medicare and Medi-Cal) are forecasted to account for an increasing share of the District's patients during the forecasted period. This trend has existed for several years and can be expected to continue as the scope of government programs increases. Inpatient cost-reimbursed revenues are forecasted to increase from 53.8% in 1977 to 55.0% in 1980. Outpatient cost-reimbursed revenues are forecasted to increase from 37.8% in 1977 to 39.0% in 1980.

A 5.5% bad debt provision for non-government (program) revenues is included in the total allowances.

OTHER OPERATING AND NON-OPERATING REVENUE

Other operating revenue includes forecasted revenue from employee meals, sale of data processing services to the City of Pittsburg and miscellaneous items. Other operating revenue is anticipated to increase by 6% per year during the forecast period.

Non-operating revenue consists of interest earned on investments. Investments are assumed to yield 4.5% per year during the forecast period. Interest income on the Reserve Fund has been included as a direct off-set to the interest and administrative expense components of the rental payment.

TAX REVENUES

The projected potential tax revenue to be received each year by the District is shown in the schedule below. Tax revenues are forecasted to increase from the 1977 base by 5% per year. Revenues are based on the secured and unsecured property tax roles of the Contra Costa County Tax Assessor.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
TAX REVENUES¹
FISCAL YEAR END JUNE 30
1974 - 1982

<u>Year</u>	<u>Tax Revenue</u>	<u>Percent Change</u>
1974	\$ 937,410	---
1975	1,057,528	12.8%
1976	1,208,405	14.3
1977	1,342,975	11.1
1978	1,410,000	5.0
1979	1,480,000	5.0
1980	1,554,000	5.0
1981	1,631,000	5.0
1982	1,712,000	5.0

Source: District Projection. Based on an assessment of \$.50/100.00 property valuation.

1. Tax revenue calculated on the basis of \$.50/100 valuation. Prior to 1977 the hospital could not assess \$.50/\$100. These figures are provided to illustrate recent growth in the District's property values. Actual tax revenues in 1974: \$374,964, 1975: \$423,011, and 1976: \$483,362 were collected by the District based on the actual rate per \$100 valuation in effect each year.

F. FORECAST OF WORKING CAPITAL REQUIREMENTS

CURRENT ASSETS

Cash is forecasted, based on 1976 levels, to be about 2% of operating expenses before interest and depreciation.

Net accounts receivable is projected at 73 days of average daily net revenues in 1977, 74 days in 1978 and 75 days from 1979-1982. The forecast is based upon the historical billing and payment experience of Los Medanos Community Hospital and the projected increase in government program patients.

Inventories are forecasted at approximately 27 days of average daily non-salary operating expense, from 1977-1982.

Prepaid expenses and other current assets are projected at 1.2% of operating expenses.

CURRENT LIABILITIES

Trade accounts payable are assumed to decrease to an average of , approximately 37 days in 1977 and 30 days in 1978-1982 of average daily non-salary operating expenses from the 1976 level of 45 days.

Accrued salaries (including vacation liability) and payroll taxes are forecasted at approximately 37 days of average daily salary and employee benefits expense.

Other accrued expenses and other current liabilities (excluding the current portion of long-term debt) are assumed to equal .2% of operating expense before interest and depreciation.

G. DESCRIPTION OF LONG-TERM DEBT AND RENTAL PAYMENT COVERAGE

TAX-EXEMPT BONDS

The \$12,600,000 tax-exempt bond issue of the Corporation has been included as a long-term liability of the District, even though these bonds are neither debt nor obligations of the District, and the interest expense of the non-profit Corporation has been included in the reimbursable expenses of the District in accordance with generally accepted accounting principles for a capitalized lease. Interest income on the Reserve Fund has been taken as an off-set to interest expense. The District, however, will make semi-annual rental payments estimated to be \$530,000 to the Corporation.

OTHER

Existing Long-Term Debt on June 30, 1976 totaled \$195,595 in two notes secured by specific equipment purchases. The District has been retiring the notes on schedule and the debt is expected to be totally amortized by 1980.

RENTAL PAYMENT COVERAGE

Cash from operations available for rental payments for Los Medanos Community Hospital is forecasted to increase from \$1,714,000 in 1980, the first year of rental payments, to \$1,983,000 in 1982. As a result, coverage increases from 1.62 times in 1980 to 1.87 in 1982.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT RENTAL PAYMENT COVERAGE FROM OPERATIONS (000's OMITTED)

	<u>1980</u>	<u>1981</u>	<u>1982</u>
Operating Income	\$ 93	\$ 205	\$ 337
Interest	808	794	779
Depreciation	736	745	755
Investment Income	77	86	112
	<u>\$1,714</u>	<u>\$1,830</u>	<u>\$1,983</u>
 Rental Payment	 \$1,060	 \$1,060	 \$1,060
 Coverage (Times)	 1.62	 1.73	 1.87

Total cash available from operations and tax revenue (assuming maximum levy) increases from \$3,268,000 in 1980 to \$3,695,000 in 1982. Coverage is lowest in 1980 at 3.08 times.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
RENTAL PAYMENT COVERAGE FROM OPERATIONS
AND TAX REVENUE
(000's OMITTED)

	<u>1980</u>	<u>1981</u>	<u>1982</u>
Operating Income	\$ 93	\$ 205	\$ 337
Interest	808	794	779
Depreciation	736	745	755
Investment Income	77	86	112
Tax Revenue	<u>1,554</u>	<u>1,631</u>	<u>1,712</u>
Cash Available for Rental Payment	\$3,268	\$3,461	\$3,695
Rental Payment	\$1,060	\$1,060	\$1,060
Coverage (Times)	3.08	3.27	3.49

Rental payment coverage from anticipated tax revenues only would be lowest in 1980 at 1.46 times.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
TAX REVENUE COVERAGE OF RENTAL PAYMENT
(000's OMITTED)

	<u>1980</u>	<u>1981</u>	<u>1982</u>
Tax Revenue	\$1,554	\$1,631	\$1,712
Rental Payment	1,060	1,060	1,060
Coverage (Times)	1.46	1.54	1.62

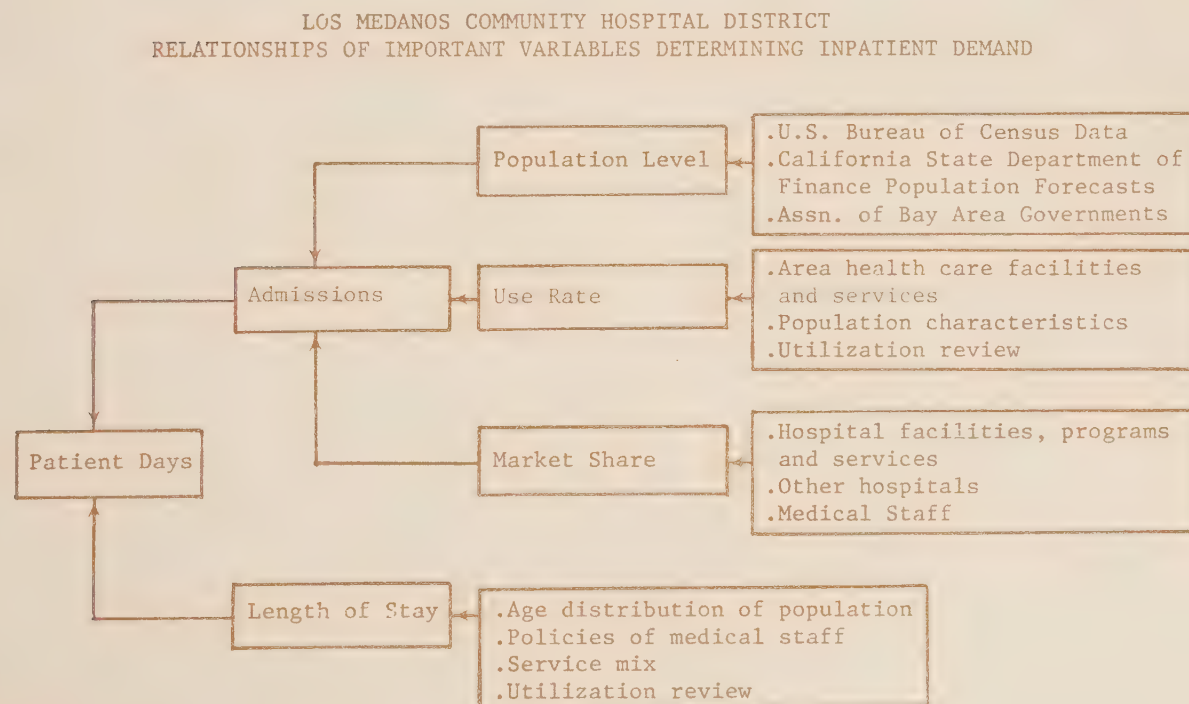
EXHIBIT III

ADDITIONAL INFORMATION

UTILIZATION FORECAST: ASSUMPTIONS AND RATIONALE

The forecast of hospital utilization used in developing the financial forecasts was made from separate projections of inpatient and outpatient demand. Historical patterns of population change in the hospital's service area, changes in the demand for health care, medical staff characteristics and trends in inpatient and outpatient utilization of the Hospital and other area hospitals were analyzed. Data and reports prepared by various governmental and quasi-governmental agencies were used in establishing the projected population and community health care needs through 1982. Adjustments to statistical data have been made to reflect the results of interviews with Los Medanos Community Hospital's administration, medical staff, and health planners and health professionals.

A schematic representation of the inpatient forecasting methodology is presented below.



HOSPITAL SERVICE AREA AND PATIENT ORIGIN

The primary service area for Los Medanos Community Hospital was established based upon trends in the source and geographic distribution of the hospital's patients, geographic accessibility and the location of other acute care hospitals. The patient origin data used in delineating the service area was obtained from the hospital's records of admissions, 1972 - 1975. The primary service area consists of Pittsburg, Antioch and West Pittsburg.

The results of these patient origin studies indicate that over 90% of Los Medanos' patients come from the east Contra Costa County area.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT PATIENT ORIGIN

<u>Origin</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Pittsburg	59.6%	63.6%	60.6%	61.3%
Antioch	13.4	12.8	14.1	14.7
West Pittsburg	21.0	15.0	16.3	15.5
East Contra Costa County	94.0%	91.4%	91.0%	91.5%
Other	6.0	8.6	9.0	8.5
TOTAL	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

Source: Hospital Records

Figure 1 shows the primary service area of Los Medanos and the location of neighboring health care institutions. Also shown is the surrounding area served consisting of the central Contra Costa County communities of Concord, Walnut Creek, Clayton, and Martinez. The table below indicates travel times from Central Pittsburg to each hospital, bed capacity and recent utilization data for each hospital in the total service area. Only Delta Memorial Hospital in Antioch is located within the primary service area. Because of the special population groups served by Kaiser and the County Hospital, we have not considered them in the analysis of the market served by Los Medanos Community Hospital. The Kaiser program has been closed to new subscribers and the County Hospital serves, primarily, the indigent.

FIGURE 1
LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
SERVICE AREA AND AREA HOSPITALS

26



■■■■■■■■■■ Primary Service Area

- | | |
|---|---|
| 1. Los Medanos Community Hospital,
Pittsburg, Proposed | 5. John Muir Memorial Hospital,
Walnut Creek |
| 2. Los Medanos Community Hospital,
Pittsburg, Existing | 6. Kaiser Hospital,
Walnut Creek |
| 3. Delta Memorial Hospital,
Antioch | 7. Contra Costa County Hospital,
Martinez |
| 4. Mt. Diablo Hospital Medical Center,
Concord | 8. Martinez Health Center (Kaiser),
Martinez |

Los Medanos Community Hospital



LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
AREA HOSPITALS

<u>Hospital</u>	<u>Travel¹ Time (Minutes)</u>	<u>1971</u>			<u>1973</u>			<u>1975</u>		
		<u>Beds</u>	<u>Admissions</u>	<u>Occupancy %</u>	<u>Beds</u>	<u>Admissions</u>	<u>Occupancy %</u>	<u>Beds</u>	<u>Admissions</u>	<u>Occupancy %</u>
Pittsburg: Los Medanos	3	78	3062	62.9%	78	2457	49.1%	78	2673	52.2%
Antioch: Delta Memorial	5	53	2656	71.7	53	3020	74.5	53	2914	73.3
Walnut Creek: John Muir	30	155	8813	81.9	155	9249	87.0	179 ²	10240	89.7 ³
Kaiser	30	201	8231	71.1	201	8531	77.6	201	8452	72.9 ³
Concord: Mt. Diablo	25	189	9608	79.2	188	8613	78.6	216	8379	69.4
Martinez: Contra Costa County	20	198	7675	61.4	159	7489	60.6	165	6768	54.2
		874	40045	71.9%	834	39359	73.5%	892	39426	70.2%

Source: American Hospital Association Guide to the Health Care Field, 1976, 1974, 1972 editions.

1. Travel time from Central Pittsburg.

2. Weighted average. At year end 1975 John Muir Hospital had 208 beds available.

3. Figures adjusted due to error in Guide.

As can be seen below, the Hospital is the dominant provider of health care services in the primary service area. The total market for primary service area residents seeking care at the neighboring hospitals has fluctuated over the period 1972-1975. This fluctuation, in part, has been the result of high unemployment in the primary service area and patients seeking care in Oakland, San Francisco, the County Hospital or Kaiser Plan hospitals. Although there has been some fluctuation, Los Medanos' share of the market has remained relatively stable from 1972-1975 at about 39%. For only Pittsburg area residents, Los Medanos Community Hospital had a market share of about 68% in 1975. The market share for Delta Memorial increased by 1.9% and John Muir increased by 3.0% during the period 1972-1975.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
PERCENTAGE MARKET SHARE¹
PRIMARY SERVICE AREA
1972-1975

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Los Medanos	39.9%	35.8%	36.7%	39.3%
Delta Memorial	33.8	36.9	39.3	35.7
John Muir	5.7	7.1	6.6	8.7
Mt. Diablo	20.6	20.2	17.4	16.3
TOTAL	100.0%	100.0%	100.0%	100.0%
TOTAL ADMISSIONS	6,633	6,270	6,061	6,228

Source: Hospital records of each hospital

1. Excludes Kaiser Permanente Health Plan and Contra Costa County Hospital.

The percentage of Los Medanos Community Hospital's patients from the primary service area as a percent of total patients has declined from 94.0% to 91.5% from 1972-1975. With the exception of Delta Memorial Hospital, the other area hospitals do not depend heavily on the primary service area for their patients. The table below provides an analysis of neighboring hospitals' comparative dependence on the primary service area. From the table it appears that Los Medanos, compared to other hospitals, is most dependent on and influenced by changes in the primary service area.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
COMPARATIVE PATIENT ORIGIN PERCENTAGES
PRIMARY SERVICE AREA
1972-1975

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>
Los Medanos	94.0%	91.4%	91.0%	91.5%
Delta Memorial	78.4	76.8	78.5	76.3
John Muir	4.1	4.8	4.2	5.3
Mt. Diablo	14.5	14.7	13.3	12.1

Source: Hospital records of each hospital.

NEIGHBORING HOSPITALS

Currently the Kaiser Hospital in Walnut Creek is the referral center for most of Kaiser's east Contra Costa County activity. However, during 1976, Kaiser purchased the Martinez Health Center and in late 1976 they began operation on a limited basis as an acute care facility and outpatient clinic. Kaiser offers its services on a pre-paid basis and currently the Kaiser plan is closed to new subscribers. With the opening of the Martinez facility, enrollment may be opened in the future to new subscribers. However, because of the low percentage of patients admitted to Los Medanos from the Martinez area, this potential event is not expected to adversely affect Los Medanos Community Hospital.

Mt. Diablo Hospital, a tax-district hospital located in Concord, underwent a major expansion program that was completed in 1975 and a remodeling program that was completed in 1976. At present, it operates 216 beds. John Muir Memorial Hospital, a private not-for-profit hospital in Walnut Creek, completed an extensive expansion of beds and services in 1974. The hospital is currently operating 208 beds. Delta Memorial, a 53 bed private not-for-profit hospital, is located in Antioch approximately five miles from Los Medanos Community Hospital. A construction program to expand laboratory and ancillary services is currently under development at Delta Memorial Hospital. The modernization of beds and an expansion of the Emergency Room and Outpatient Services is also included in the program.

ECONOMIC CHARACTERISTICS OF THE PRIMARY SERVICE AREA

The primary service area is a prime location for industry in northern California. The area has an extensive shoreline accessible to ocean transport, freight service facilities provided by three main line railroads, and access to the northern California freeway system. Leading employers include the U.S. Steel Corporation, Dow Chemical U.S.A., Johns-Manville Products Corporation, Pacific Gas & Electric Company and the United States Naval Weapons Station.

Unemployment in the San Francisco Bay Area in late 1976 was about 11%. The rate of unemployment in the City of Pittsburg was 20.3% during the same period. This rate reflects the high unemployment among residents of the northern portion of the City of Pittsburg and the community of West Pittsburg.

POPULATION OF SERVICE AREA

For the purpose of analyzing the population trends in the primary service area, greater Antioch and Pittsburg (including West Pittsburg) comprise the primary service area population. The historical population and projected population are presented below. The projected population is the latest available information and reflects the closest estimate of actual to projected population for 1975.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT PRIMARY SERVICE AREA POPULATION

	-----Historical-----			-----Projected-----	
	<u>1960¹</u>	<u>1970²</u>	<u>1975³</u>	<u>1980⁴</u>	<u>1990⁴</u>
Antioch	29159	39572	45414	49802	62299
Pittsburg ⁵	<u>32214</u>	<u>32012</u>	<u>33795</u>	<u>40938</u>	<u>49566</u>
TOTAL	61373	71584	79209	90740	111865

1. Source: 1960 Census

2. Source: 1970 Census

3. Source: Contra Costa County 1975 Population Survey.

4. Source: Association of Bay Area Governments, Series II Projections. September, 1974.

5. Pittsburg and West Pittsburg.

Shifts in the age distribution as well as absolute population increases affect the volume of care. In particular, the population over age 65 has a greater frequency of hospitalization than does the population under age 65. Also, changes in the female population between the ages of 15-44, along with fertility rates, influence the utilization of obstetrical services. The population aged 65 and over in the primary service area is anticipated to increase by 51.8% during the forecast period.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
SEX AND AGE DISTRIBUTION PRIMARY SERVICE AREA

<u>Age</u>	<u>1975¹</u>		<u>1980²</u>		<u>Projected Change 1975 - 1980</u>
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>	
0-14	22708	28.7	25340	27.9	11.6%
15-44 male	17455	22.1	19816	21.9	13.5
15-44 female	18094	22.8	20575	22.7	13.7
45-64	14899	18.8	15821	17.4	6.2
65+	6053	7.6	9188	10.1	51.8
TOTAL	79209	100.0%	90740	100.0%	14.6%

1. Source: Contra Costa County 1975 Population Survey.
2. Source: Association of Bay Area Governments, Series II Projections. September, 1974.

HISTORICAL UTILIZATION OF INPATIENT SERVICES

The overall occupancy at Los Medanos Community Hospital declined from 1972 to 1973. However, since 1973 the occupancy has increased each year through fiscal 1976. The occupancy in Medical/Surgical services has increased from 51.9% in 1973 to 60.0% in 1976. The decrease and subsequent increase in utilization has been the result of fluctuations in the volume of admissions. The overall average length of stay has remained stable during the 1972-1976 period.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
HISTORICAL INPATIENT UTILIZATION

	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
<u>MEDICAL/SURGICAL</u>					
Admissions	2006	1798	1888	2093	2135
Average length of stay	7.0	6.5	6.6	6.2	6.4
Patient days	14066	11735	12511	12950	13573
Average daily census	38.4	32.2	34.3	35.5	37.2
Available beds	62	62	62	62	62
% Occupancy	61.9	51.9	55.3	57.3	60.0
<u>OBSTETRICS</u>					
Admissions	404	277	282	295	294
Average length of stay	2.8	2.8	2.8	3.0	2.6
Patient days	1113	776	796	895	767
Average daily census	3.0	2.1	2.2	2.5	2.1
Available beds	12	12	12	12	12
% Occupancy	25.0	17.5	18.3	20.8	17.5
<u>PEDIATRICS</u>					
Admissions	400	382	274	285	284
Average length of stay	3.3	3.8	3.1	3.5	3.6
Patient days	1325	1465	848	1008	1031
Average daily census	3.6	4.0	2.3	2.8	2.8
Available beds	4	4	4	4	4
% Occupancy	90.0	100.0	57.5	70.0	70.0
<u>TOTAL</u>					
Admissions	2810	2457	2444	2673	2713
Average length of stay	5.9	5.7	5.8	5.6	5.7
Patient days	16504	13976	14155	14853	15371
Average daily census	45.2	38.3	38.8	40.7	42.1
Available beds	78	78	78	78	78
% Occupancy	57.9	49.1	49.7	52.2	54.0

Source: Hospital Records

MEDICAL STAFF

The ratio of physicians to population in the primary service area is below that of neighboring Concord and Walnut Creek. Further, the ratio is below that of California and the United States. A significant portion of the decline in utilization during the 1972-1973 period can be attributed to the decrease in the number of physicians serving the primary service area. This fact plus the high unemployment in the area, are considered the primary factors contributing to the drop in utilization.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
PHYSICIAN POPULATION RATIO - 1975

	<u>Physicians per Thousand Population</u>
Antioch	.78
Pittsburg	.86
Concord	1.11
Walnut Creek	3.76
All California ¹	1.67
United States ¹	1.32

Source: Alameda-Contra Costa Medical Association and
1975 Contra Costa County Population Survey,
Active Physicians.

1. Physician Distribution and Medical Licensure in
the U.S. 1974, American Medical Association.

A questionnaire designed to provide information about the plans and attitudes of area physicians was sent to 137 doctors in central and east Contra Costa County. Forty-two physicians (31%) responded to the questionnaire. Subsequently, physicians were interviewed and questioned about the proposed construction program. The interviewed physicians consisted of a cross-section of the medical staff and included both those that did and did not respond to the questionnaire. Key findings of the interview procedure indicated that the physicians disliked both the present building and location, and that they would support a new hospital at a different site. A dominant concern in selecting a hospital for admitting patients cited by respondents was the proximity to their office. The Board and Administration believe that the new site will offer increased accessibility and acceptability for area residents and physicians.

To achieve its objectives and improve the utilization of the hospital, the Board of Directors has adopted a long-range physician recruitment plan. Presented below are the incremental medical staff additions and planned total active medical staff for the period 1977-1982. During the first half of fiscal 1977, the District has successfully recruited two new physicians to the area.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
PHYSICIAN RECRUITMENT

<u>FYE June 30</u>	<u>Total Active Physicians Needed</u>	<u>Cumulative Incremental Addition¹</u>	<u>Admissions Per Active Physician</u>
1976 Actual	21	-	129.2
1977	25	4	114.8
1978	27	6	117.6
1979	30	9	117.0
1980	32	11	117.8
1981	33	12	117.4
1982	34	13	117.1

1. Incremental physicians are forecasted to account for 86 admissions per physician.

In August, 1976 the District retained the firm of World Wide Health Consultants, Inc., New York, New York, a national physician recruiting firm, to assist in attracting the required physician staff. World Wide Health Consultants, Inc., has stated that they believe the planned physician recruiting program is achievable. Their previous experience in a similar setting has resulted in successful physician recruiting programs.

The characteristics of the present medical staff are illustrated in the following tables. The composition of the medical staff includes 27 physicians maintaining active status with an additional 89 physicians with either provisional or courtesy status. A profile of the Los Medanos Medical Staff by specialty and status is presented below.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
MEDICAL STAFF BY SPECIALTY
1976

<u>Specialty</u>	<u>Active Staff</u>	<u>Provisional Staff</u>	<u>Courtesy Staff</u>	<u>Total</u>
General Practice	7	3	9	19
Anesthesiology	1	1	2	4
Cardiology	0	1	1	2
Dermatology	0	0	3	3
Endocrinology	0	0	1	1
Internal Medicine	1	4	5	10
Neurology	0	0	2	2
Neurosurgery	0	1	2	3
Obstetrics-Gynecology	2	0	2	4
Ophthalmology	0	1	6	7
Oral Surgery	0	1	8	9
Orthopedic Surgery	3	1	2	6
Otolaryngology	2	0	3	5
Pathology	2	0	1	3
Pediatrics	0	1	2	3
Plastic Surgery	0	3	6	6
Psychiatry	0	0	1	1
Radiology	3	2	0	5
Surgery	3	0	12	15
Thoracic Surgery	2	1	4	7
Urology	1	0	0	1
TOTAL	27	17	72	116

Source: Hospital Records

As indicated in the following table, 64.0% of the active medical staff is Board Certified or Eligible. The average age of physicians with active staff privileges is 54.2.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
ACTIVE MEDICAL STAFF BY
SPECIALTY, CERTIFICATION AND AGE
1976

<u>Specialty</u>	<u>Physicians on Active Staff</u>	<u>Certified or Eligible</u>	<u>Average Age</u>	<u>Average Years on Staff</u>
Internal Medicine	1	100.0%	44.0	10.0
Surgery	3	33.3	58.0	27.0
General Practice	7	57.1	57.2	21.2
Obstetrics-Gynecology	2	100.0	42.5	8.5
Orthopedic Surgery	3	66.6	46.3	12.0
Urology	1	---	51.0	21.0
Anesthesiology	1	---	51.0	13.0
Radiology	3	100.0	44.5	14.0
Otolaryngology	2	50.0	60.5	18.5
Thoracic Surgery	2	100.0	51.5	10.5
Pathology	2	100.0	51.5	9.5
TOTAL	27	64.0%	54.2	17.0

Source: Hospital Records

The table below profiles admissions by specialty and average age of admitting physicians in each specialty for 1976 and the first four months of fiscal 1977.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
ADMISSIONS BY SPECIALTY¹
1976 and 1977

Specialty	1976		1977 ²	
	Number of Cases	Percent of Cases	Number of Cases	Percent of Cases
Obstetrics-Gynecology	274	10.1%	69	7.6%
General Practice	1282	47.3	451	49.5
Surgery	205	7.5	66	7.2
Thoracic Surgery	143	5.3	45	4.9
Neurosurgery	5	.2	7	.8
Orthopedic Surgery	358	13.2	107	11.7
Ophthalmological Surgery	3	.1	3	.3
Podiatry	10	.4	8	.9
Internal Medicine	105	3.8	49	5.4
Pediatrics	63	2.3	39	4.3
Otolaryngology	107	3.9	36	3.9
Urology	90	3.3	22	2.4
Other	68	2.5	10	1.1
TOTAL	2713	100.0%	912	100.0%

1. Source: Hospital Records
Admissions by all staff categories
2. July 1 - November 30, 1976

The following two tables identify the core group of admitting physicians consisting of Active, Provisional and Courtesy members of the medical staff. Two physicians accounted for 17.4% of the 1976 admissions. An additional nine physicians admitted 47.3% of the patients and seven physicians accounted for 21.3% of the admissions. Thus, eighteen physicians contributed 86.0% of the admissions to Los Medanos during 1976.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
MEDICAL STAFF ADMITTING PATTERNS
1976

<u>Admissions</u>	<u>Number of Physicians</u>	<u>Average Age</u>	<u>Number of Admissions</u>	<u>Percent</u>
Greater than 200	2	56	471	17.4%
100-199	9	51	1285	47.3
50-99	7	48	580	21.3
10-49	7	37	197	7.3
Less than 10	<u>15</u>	<u>N/A¹</u>	<u>41</u>	<u>1.5</u>
Sub-Total	40		2574	94.8
Not Identified			<u>139²</u>	<u>5.2</u>
TOTAL			2713	100.0%

Source: Hospital Records

1. Ages not available for all admitting physicians.

2. Primary admitting physicians not identified.

The following table shows that seventeen senior admitting physicians accounted for 1481 patients or 54.6% in 1976. The average age of these 17 physicians is 60 years of age. Physicians 49 and younger accounted for about 45% of admissions. A profile of admissions by age group is presented below.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
MEDICAL STAFF ADMISSIONS BY AGE
1976

<u>Age</u>	<u>Number</u>	<u>Average Age</u>	<u>Number of Admissions</u>	<u>Percent of Admissions</u>
65 and over	4	68	284	10.5%
50-64	13	57	1197	44.1
35-49	14	39	920	33.9
30-34	<u>2</u>	<u>33</u>	<u>152</u>	<u>5.6</u>
Sub-Total	33	49	2553	94.1
Not Identified	<u>7</u>	<u>N/A¹</u>	<u>160</u>	<u>5.9</u>
TOTAL	40		2713	100.0%

Source: Hospital Records

1. Ages not available for all admitting physicians.

PROJECTED ADMISSIONS

Admissions by major inpatient service for the primary service area are forecasted by combining projections for the relevant population segment with forecasts of the corresponding use rate (admissions per 1,000 population) and market share. The major inpatient services are related to projected population segments as follows:

- To give consideration to the different rates of hospital utilization by age, a separate component of medical/surgical admissions was forecasted for ages 65 and over, by relating it to the 65 and over population projections.
- Medical/Surgical admissions of patients under 65 were forecasted based upon the projected population ages 15-64.
- Obstetric admissions were forecasted based upon the projected female population ages 15-44, and fertility rates.
- Pediatric admissions were related to the projected population ages 0-14.

For each of the four patient groups, total admissions from the primary service area were forecasted by applying expected use rates, defined as admissions per thousand population, to the projected population segment indicated above.

The use rate from the primary service area for 1975 was 78.6 admissions per thousand population (excluding Kaiser Health Plan and Contra Costa County Hospital admissions).

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT USE RATES - 1975¹

	Pittsburg ² Service Area 1975	Antioch Service Area 1975	Total Primary Service Area
Population	33,795	45,414	79,209
Admissions	3,033	3,195	6,228
Adjusted Admissions/ 1000 Population	89.7	70.4	78.6

1. Excludes Kaiser Health Plan and Contra Costa County Hospital admissions.
2. Includes West Pittsburg.

Use rate projections for fiscal 1977 to 1982 are based upon consideration of these service area use rates, historical service area data from patient origin studies, trends in fertility rates, the present and projected availability of service area physicians and hospital resources, interviews with area health care professionals, and present and proposed utilization review programs. The number of primary service area residents hospitalized in each patient category is based upon forecasted use rates as follows:

-Overall Medical/Surgical admissions from the primary service area are assumed to increase from 87.28 to 87.86 admissions per thousand population from 1977-1982.

-Obstetrical use rates in the primary area are assumed to increase from 38.39 to 38.61 from 1977-1982. This reflects forecasted fertility rates of 64.1 in 1977 to 70.2 in 1982 per 1000 females, ages 15-44.

-Pediatric admissions from the primary area are based upon the use rate increasing from 26.98 to 27.10 per thousand population 14 and under.

Total area admissions to all hospitals excluding Kaiser Plan and Contra Costa County Hospital were obtained by multiplying the primary service area population times use rates. The projected primary service area admissions follow.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT PROJECTED ADMISSIONS ¹ PRIMARY SERVICE AREA ¹						
	<u>1977</u>	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>
<u>MEDICAL/SURGICAL</u>						
Population over 14	59,886	61,664	63,501	65,400	67,362	69,391
Use Rate	87.28	87.39	87.51	87.61	87.75	87.86
Admissions	5,227	5,389	5,557	5,730	5,911	6,097
<u>OBSTETRICS</u>						
Females 15-44	19,041	19,537	20,048	20,575	21,228	21,678
Use Rate	38.39	38.44	38.46	38.59	38.59	38.61
Admissions	731	751	771	794	819	837
<u>PEDIATRICS</u>						
Population under 14	23,721	24,246	24,786	25,340	25,908	26,491
Use Rate	26.98	27.01	27.07	27.03	27.06	27.10
Admissions	640	655	671	685	701	718
<u>TOTAL</u>						
Population	83,607	85,910	88,287	90,740	93,270	95,882
Use Rate	78.9	79.1	79.3	79.4	79.6	79.8
Admissions	6,598	6,795	6,999	7,209	7,431	7,652

1. Excluding Contra Costa County and Kaiser admissions.

Based on the District's physician recruitment plans and the expected admissions per new physician of 86 patients each, the hospital's admissions were projected. The historical relationship and trend of admissions from the primary service area and other area admissions is expected to continue with the primary service area accounting for 92% of the hospital's activity in 1977 and 93.6% in 1982. The result is that the hospital is projected to increase its market share from about 40% in 1977 to 48.7% in 1982.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
PROJECTED ADMISSIONS AND MARKET SHARE

	Area Admissions ¹	Los Medanos			
		Primary Service Area Admissions	Other Admissions	Total Admissions	Market Share %
1977	6,598	2,641	230	2,871	40.0
1978	6,795	2,940	235	3,175	43.3
1979	6,999	3,271	240	3,511	46.7
1980	7,209	3,526	245	3,771	48.9
1981	7,431	3,624	250	3,874	48.8
1982	7,652	3,727	255	3,982	48.7

1. Excludes Kaiser Health Plan and Contra Costa County Hospital admissions.

It should be further noted that negotiations have been initiated that could result in shifting county eligible patients from the county operated facility in Martinez to Los Medanos. Such an arrangement would have a significant impact on projected occupancy levels. However, since formal arrangements have not been made yet, and are subject to satisfactory financial arrangements, the forecasts of admissions do not include increases arising from county patients.

PROJECTED LENGTH OF STAY

For planning purposes, the average length of stay has been held constant at 6.2 days for Medical/Surgical patients, 3.0 days for Obstetrics, and 3.5 days for Pediatrics. During the first half of fiscal 1977 the average length of stay was at levels that approximate the forecasts. The length of stay at Los Medanos Community Hospital compares favorably to that of other hospitals in the area and State. Thus, no significant change in overall length of stay is expected.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
HISTORICAL AND PROJECTED LENGTH OF STAY
1972 - 1982

40

Service	-----Actual-----					-----Forecast-----					
	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982
Medical/ Surgical	7.0	6.5	6.6	6.2	6.4	6.2	6.2	6.2	6.2	6.2	6.2
Obstetrics	2.8	2.8	2.8	3.0	2.6	3.0	3.0	3.0	3.0	3.0	3.0
Pediatrics	3.3	3.8	3.1	3.5	3.6	3.5	3.5	3.5	3.5	3.5	3.5
Average*	5.9	5.7	5.8	5.6	5.7	5.6	5.6	5.6	5.7	5.7	5.7

*Weighted average based on mix of admissions

PROJECTED PATIENT DAYS AND OCCUPANCY

Patient days were calculated by multiplying forecasted admissions by the average length of stay. Bed capacity is planned to remain at 78 for the forecast period. The result is a substantial increase in forecasted occupancy. It is the hospital's belief that these utilization levels represent an attainable level and are not overly optimistic. However, it is recognized that the occupancy is dependent on the hospital's ability to attract and maintain physicians on its staff. The growth represents an increase of 8.7% in primary service area market share from 40.0% in 1977 to 48.7% in 1982 and a corresponding increase in patient days.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT
PROJECTED PATIENT DAYS AND OCCUPANCY
1977-1982

	1977	1978	1979	1980	1981	1982
<u>MEDICAL/SURGICAL</u> ¹						
Admissions	2,240	2,493	2,971	3,527	3,631	3,739
Average length of stay	6.2	6.2	6.0	5.9	5.9	5.9
Patient days	13,890	15,458	17,889	20,679	21,300	21,940
Average daily census	38.1	42.4	49.0	56.7	58.4	60.1
Available beds	62	62	64	74	74	74
% Occupancy	61.4	68.3	76.6	76.6	78.9	81.2
<u>OBSTETRICS</u>						
Admissions	318	331	344	244	243	243
Average length of stay	3.0	3.0	3.0	3.0	3.0	3.0
Patient days	954	993	1,032	732	730	730
Average daily census	2.6	2.7	2.8	2.0	2.0	2.0
Available beds	12	12	12	4	4	4
% Occupancy	21.8	22.7	23.6	50.1	50.0	50.0
<u>PEDIATRICS</u>						
Admissions	313	351	196			
Average length of stay	3.5	3.5	3.5			
Patient days	1,097	1,227	686			
Average daily census	3.0	3.4	1.9			
Available beds	4	4	2			
% Occupancy	75.1	84.0	95.0			
<u>TOTAL</u>						
Admissions	2,871	3,175	3,511	3,771	3,874	3,982
Average length of stay	5.6	5.6	5.6	5.7	5.7	5.7
Patient days	15,941	17,678	19,607	21,411	22,030	22,670
Average daily census	43.7	48.4	53.7	58.7	60.4	62.1
Available beds	78	78	78	78	78	78
% Occupancy	56.0	62.1	68.9	75.2	77.4	79.6

1. Included Pediatric Service beginning in mid-1979.

PROJECTED OUTPATIENT UTILIZATION

Outpatient visits were forecasted separately for Laboratory, Physical Therapy, Diagnostic Radiology and Emergency Room patients and then aggregated. The forecasts were based upon an analysis of the historical upward trend, the patterns existing at Los Medanos, and the growing national emphasis on outpatient medical care. A District-sponsored Community Health Center is included in the Master Plan for the District's overall site utilization. National trends have indicated an increasing number of outpatient visits per admission. Consequently, the Los Medanos forecasts reflect this increasing emphasis on outpatient care.

LOS MEDANOS COMMUNITY HOSPITAL DISTRICT HISTORICAL AND PROJECTED OUTPATIENTS BY SERVICE 1972 - 1982

		<u>Laboratory</u>	<u>Physical Therapy</u>	<u>Diagnostic Radiology</u>	<u>Emergency Room</u>
Historical:	1972	5,012	1,684	6,173	9,876
	1973	5,790	1,758	6,329	11,228
	1974	6,122	1,315	7,257	12,373
	1975	5,822	1,408	7,530	13,168
	1976	6,333	1,752	7,484	12,328
Projected:	1977	8,240	1,723	9,130	10,049
	1978	9,747	1,905	10,573	9,525
	1979	11,481	2,107	12,218	10,533
	1980	13,048	2,263	13,689	11,313
	1981	14,179	2,324	14,644	11,622
	1982	15,331	2,389	15,649	11,946

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